

THE ICE STORM: Days of heroism and heartbreak

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# Maclean's

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# From The Editor

## When symbols are weapons



There are few provinces where symbolism has played such a pivotal role in political life as Quebec. From Charles de Gaulle's "Vive le Québec" in 1967, through René Lévesque's tearful "Je me souviens" after he lost the 1980 referendum, to the much-played clip of Jean Chrétien being embraced by French Lake-Innkeeper Clyde Wells in 1989, images of separatists and federalists have danced the delicate

In recent days, the symbolism in Quebec has been dominated by the great sex wars. Terry O'Leary, the newly appointed, rugged, rugged father figure of Lucien Boivin, greeted the premier's TV screen, as the premier effectively reassured his fellow citizens. Symbolism also was the reason that Chrétien delayed his departure for Texas Canada's trade tour of Latin America: The Prime Minister was asked on demonstrating the federal presence, but he was the field to be cleared alone. And for extra measure, there was the crucial role played by Canada's armed forces, a vision of federal involvement and client that seemed to have even more brightly as Hydro-Québec turned off its great, hidden light-house of power.

The largely non-personal nature of the federal efforts in Quebec may have few implications for the future of Quebec, which remains the most significant issue facing the country. What is more likely to have a major impact is a case that will be heard starting in mid-February by the Supreme Court of Canada. The hearing will be rich in symbolism—a federal court weighing a referendum by Ottawa challenging Quebec's right to declare unilateral independence, a provincial government in Quebec that has re-

fused to take part, arguing that the matter is one for Quebecers—not a federal court—to resolve.

The stakes are high. A senior federal cabinet minister concedes that any dissenting views on the top court could be very helpful in convincing for Quebec's separatists. If there is more than one opinion, as the minister expects there will be, "one can only hope that the dissenting justices are restrained in their comments," he says.

At issue is Bill 21, tabled by former Quebec premier Jacques Parizeau in 1995, and a proposed process for "separatism" to be implemented that would have the national assembly proclaim the independence of Quebec following a vote in a referendum. Quebec lawyer Guy Bertrand, a leading member of the governing Parti Québécois, failed to block the 1995 referendum in Quebec Superior Court, but he did successfully assert his right to be heard on the point that Bill 21 violated both the amending procedures of the 1982 Constitution and his own charter rights.

After the referendum—50.58 per cent to 49.42 for federalism—Bertrand refused his action. Quebec again sought its dismissal and Ottawa went to court on Bertrand's behalf. The federalists won, and Quebec withdrew from the Bertrand case. The Supreme Court has formed certain questions raised by the Quebec Superior Court to the top court in Ottawa. On Feb. 18, the new policies will begin to bear the case—with consequences that cannot be predicted.



Chrétien with Boivin, a starved comment

Robert Lewis

## Newsroom Notes:

### Navigating the markets

For all the turmoil on global stock exchanges in 1997, the year proved to be a rewarding one for most investors in Canadian mutual funds. The average domestic equity fund gained 13.6 per cent, topping the cumulative return for the past three years to a sparkling 60.5 per cent.

The year ahead, however, looks to be another story. With the



Lewis (left) with Editor and Schofield seeking the mutual funds at a volatile time

Asian financial crisis growing deeper by the day and signs of deflation mounting in North America, the need for sound analysis and detailed information is critical. Maclean's second annual report on mutual funds aims to fill that need with rankings of the best and worst funds in six major categories, an exclusive national poll of investors and a roundtable of experts offering their thoughts on the investment outlook for 1998.

The book also includes a profile of Canada's hottest fund company by Associate Business Editor John Schofield. The 20 page package was overseen by Assistant Managing Editor Ross Lewis and designed by Assistant Art Director John Lefroy.

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## Women's health

For more than 50 years, women have fought hard for the right to make their own choices. Many women's lives have changed for the better due to this struggle. It is not and frustrating to realize, however, that the "pressure is on" (Kovacs, Jan 12) is a culture that is thriving, and youth have many women trapped in a different web that is just as controlling as the past one of inequality and inequity. As a social worker and mother of four, I am horrified by this pressure. I have many young women in my life to help them move to a more realistic ideal, rising their health and well-being in the process. The incidence of eating disorders continues to rise at an alarming rate, and while the fashion industry and the media must take a large portion of the responsibility, women also must strive to change a society based on a culture of "fashion." Together we can stop this horror and move our society towards one where all people can be accepted for who they are on the inside rather than how they look on the outside.



Lu Linn  
Calgary, AB

Why the emphasis on women's health? Has it escaped everyone's notice that men die of prostate cancer at about the same rate as women die of breast cancer, but research funding for breast cancer and media coverage of the disease far exceeds that for prostate cancer? Except for specifically female conditions such as cervical cancer, polycystic ovaries, and menopause, why suffer a higher mortality and mortality from all causes, in all age-groups, than women, and their life expectancy is about

seven years less. Three generations ago, the difference was only one year. Doesn't that suggest there are serious and uniquely male health problems in our society that may be getting worse?

Ark Ward  
Aurora, ON

I heard the cover story "When a body turns on itself" to be very interesting as I am one of the people affected by an autoimmune disease—I was diagnosed with Takayasu's arteritis, a chronic inflammation of the aorta, at the age of 28. My attention was also caught by the mention of the link between autoimmune diseases and endometriosis—a condition where cells migrate from the uterus to other parts of the body—as I had this disease in my 20s and had a full hysterectomy. It was good to read,

even though you feel that you are all alone, that there are others just like you out there and someone is doing something about it.

Lianne Maki  
Aurora, ON, AB

Your article on hormone replacement therapy had a fitting title: "The HRT conspiracy." Not only is it a conundrum for women, but also for Mother Nature. For the first time in history, women have started living well beyond our reproductive years. Certainly, research needs to clarify the risks of taking HRT, the big one being breast cancer. As a young woman whose treatment for advanced breast cancer threw me into early menopause, I could not stand the thought for more than six years. I put myself on HRT recently and now feel like a new woman.

Dr. Mavis Hays  
Monterey

## Private protection

In my own life I feel much safer knowing that I have 60 hours of training, as high school diploma and at \$7.50 an hour, police women are partially protecting our society (On the moon streets, "Canada/Special Report," Jan. 12). What kind of people will be attract-

## Bravo Maclean's

I have been in touch with my colleagues from across the country and have heard some wonderful accounts of how people responded to your cover story "Depression" (Dec. 1) by reaching out and seeking help. All across Canada, people were affected by your stories, and the strong messages of hope and optimism that the articles conveyed. I can tell you without hesitation that your work has saved lives over these past few weeks. You have given information and support, you have lifted the stigma against these disorders, and most of all, you have given hope to thousands and thousands of Canadians whose lives are affected by depressive disorders. On behalf of all of us, thank you for a job well done.

William P. Ashdown,  
President,  
The Depression and Major-Depression  
Associations of Canada,  
Newport

ed to this kind of world if, as you say, the police are joined with these services, and are working with them, will they turn a blind eye to any of their questionable activities?

Joan Eaton  
Toronto, ON

I read this article with enthusiasm. It would be wonderful and definitely cost-effective if private-sector security agencies were to work hand-in-hand with the police in maintaining law and order, but the government should establish laws governing private security organizations, set strict policy guidelines, codes of ethics, and, moreover, it should appoint a licensing body to certify such companies before they are entrusted with the responsibility to protect the general public.

Christopher Kalanickian,  
St. Catharines, Ont.

I believe your perspective of the private police industry is an unfair characterization. Private policing includes a wide range of occupational careers, such as investigations, loss prevention, resource protection, hotel and transit enforcement, forensics, as well as corporate and commercial security. To suggest that the private police industry is poorly educated, barely trained and inadequately equipped is misleading and wrong. The level of professionalism and knowledge in this industry as a whole far exceeds that of public police forces. The private police field is highly skilled, educated and efficient. The commercial security field is well trained to meet their present duties, and in this day and

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# Healthy Bites

## Go calcium go!

The U.S. is now recommending higher calcium intakes and Canada is likely to follow suit. How important is calcium to bone health? "Crucial," says bone specialist Dr. Robert Heaney.



Dairy and other reliable sources provide the calcium you need. Other sources include leafy greens, fortified cereals, and some fish like salmon.

He maintains that if everyone in North America ate enough calcium (i.e., the equivalent of two to four servings of milk products daily), our incidence of osteoporosis might actually be cut by as much as a third to a half. Some argue that if we cut down on protein-rich foods like meat, we wouldn't need so much calcium, since protein is believed to increase calcium loss. Unlikely. According to data presented at a recent International Conference on Vegetarianism by calcium specialist Dr. Connee Weaver, even if we decreased our protein intake to the minimum level required for health, it would have little effect on our calcium requirements. Adults would still need about 1,000 mg of calcium each day—exactly the amount now recommended for adults in the U.S.

## Feed a fever, socialize a cold?

Most of us associate getting colds with being around people, since that's how they're spread. However, a recent U.S. study indicates that more diverse social networks (i.e., multiple social ties to friends, family, work and community) are associated with greater resistance to the common cold. Go figure!

From the Dairy Bureau of Canada

## Have you heard the latest?

There's a rumour afloat that consuming foods improperly leads to inadequate digestion and weight gain. Puhlease! The body doesn't care how food is combined. People who lose weight on these nonsense diets are simply eating less—lose the diets are often so complicated, who wouldn't?—or exercising more. The problem with such restrictive diets is that followers often fail to eat enough from the four food groups and are at increased risk of developing nutrient deficiencies.

## Snack on this

The Olympics are a few weeks away and if you or your kids are strenuously working out—to compete or simply as recreation—three meals a day may not be enough. Nutrient-dense snacks can help fill the gap. Try:

- An oatmeal cookie with milk and fruit
- Dry cereals, nut and fruit mixes, with yogurt
- A bagel or crackers with cheese or peanut butter and juice
- Protein yogurt with fruit and a cereal bar
- Vegetables and pea protein with yogurt dip

Remember, sufficient calories and nutrients are particularly essential when you're active.



## THE MAIL

again, it is common to see the majority of staff at four colleges educated. In fact, there are many educational programs available to update such employees and most reputable companies faithfully support their staff to do so.

Barb Doshier,  
Belleville, Ont.

Your article on private policing in Canada was informative and timely, as we all see crime rising and regular police budgets curtailed. But private security forces are a dangerous precedent in they are mainly in existence for the protection of property and money, not the citizens of their jurisdiction. Also, it should be noted that the forces of our two chief railways—CN and CP—have access to the Canadian Police Information Centre computer system in their offices in Montreal, Toronto, Calgary and Vancouver. This is far too much clout in the hands of a private corporation. When privacy is so increasingly important issue to most Canadians, it is worrisome to think that such personal information may some day be in the hands of some security guard working for a private organization.

S. K. MacDonald,  
Calgary, AB

## Paying for Bernardo

It is disappointing that the Ontario Court of Appeal says Paul Bernardo is entitled to a publicly funded appeal of his murder convictions ("Public and Joe Bernardo," *Canada's Morning Star*, Jan. 12). While I am dismayed that an appeal process needs to be available, it is hard to imagine why one has been granted in this case. At a time when government budgets are tight, I am inclined to think that \$60,000 of public funds may be spent on this appeal. More important, my heart goes out to the families of Bernardo's victims who must once again feel the system has failed them.

Leanne Hagarty  
Waterloo, Ont. 10

## 'Manning make-over'

As a loyal fan of Allan Fotheringham's weekly efforts, may I ask for a small favor? Even we myopic, cynical British Columbian know that Reform party leader Preston Manning didn't get "Manning" because so he can wear contacts ("The strange shape of the year ahead," Jan. 12). He got his eyes lasered so he doesn't have to. Would Dr. Fotheringham mind recycling the Manning make-over routine just one more time, and getting it right?

True Pointe  
Maple Ridge, B.C. 10



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### Backstage



## Anthony Wilson-Smith

### The death of an unsung hero

**I** Ron Selzer's life were a movie, it would be part drama, part comedy, and the lead role would be played by a dark, intense Freytag such as Dustin Hoffman or Al Pacino. The hero would come from Selzer's vigorous, arm-waving distastes on any and everything, and the plot would centre on his life as publisher of the Montreal weekly newspaper *The Quebecer*, which he founded and operated from 1982 until its closing in 1993. Gruff, irreverent and possessed of an extraordinary vocabulary in both official languages, he never could quite conceal the fact that he had a heart the size of Mount Royal Park. Once, in the mid 1980s, he asked a magazine journalist to write a restaurant column for him under a pen name. The columnist wrote that the column would be gentle—and generate new advertising from grateful recipients. Instead, most of the reviews were savage, so that some enraged owners can still tell their waiting staff, Selzer who could threaten the last reviews, tried to look nervous and betrayed, but could not restrain it. "Ah, hell," he finally said with a shrug, "those places generate indignation anyway."

Ron could never bear being far from the action, just as he could seldom resist a good turn—which explains why he plunged so vigorously into rescue efforts when the now-famous ice storm struck. He earned money for elderly neighbours, made and delivered soup to a shut-in friend, shovelled snow for hours at a time, and helped push cars stuck in snowbanks. He did, as always, his utmost to help—too much, perhaps, because after a string of such days, he died of a sudden heart attack on Jan. 10 at age 57.

By the end of last week, with many affected parts of Quebec and eastern Ontario returning to a semblance of normal, at least 25 people had died, and the estimate of economic loss stood at \$2 billion. Even then, the death toll does not include the likes of Ron Selzer, whose fatal heart attack is not technically attributable to the weather. Now, as public attention moves on, the storm's aftermath leaves millions of people with a new set of lessons and, for those who lost friends or family members, a never-ending scene of loss.

As almost always the case in a crisis, the behavior of those with it ranged from licentious to villainous to occasional nobility. Some memories should linger long, such as the Montreal *Quebecer* who asked his life to save a two-year-old girl from hypothermia in a line. And the saccharine cliché urging people to "concentrate random acts of kindness" came true. *Quebecer* businessman Robert Weintraub, who does not live in Canada and who lost \$1 million opening the Montreal *Quebecer* booth last year, spontaneously directed the bank's staff to spend "whatever it takes" of his money to supply food and aid to city relief centres. And countless acts of generosity—

such as people supplying rooms and board to friends, neighbours and complete strangers—will never be reported, but served to cement old friendships and forge new ones.

On this occasion, organizations supposed to serve the public interest demonstrably did so. The band of Quebec operations for the radio side of the Canadian Broadcasting Corp. scrapped regular programming, arranged for round-the-clock news and weather information, and had a broadcast on both the AM and FM signals to make it available to as many people as possible. Some hydro workers in Quebec and Ontario worked up to 18 hours a day for two weeks straight—with yeoman relief help from American colleagues. The work of police and the Canadian military was universally applauded.

Public officials also acted, for the most part, commendably. The staff of Gov-Gene Borneo LeBlanc prepared and supplied hot meals and aid to out-of-town seniors. Prime Minister Jean Chrétien, whose visit to Montreal during last spring's flooding lasted no longer than a gut-driven hunk in one of his public places, this time did the right thing: he postponed his departure on the Team Canada train tribute to Latin America, and played fall-back into aid efforts. He sat Premier Lucien Bouchard—who did the same—praised the imagination to help disaster with yet another constitutional debate. Ontario Premier Mike Harris also behaved admirably—until he left for Mexico before the other two, and then delivered grudging advice to them on the importance of following him.

The list of bad or silly things is, happily, short. Montrealers and Ottawans will remember those gaudy stations which, at the storm's height, stridently raised prices by four cents a litre. The Montreal *Quebecer*, which kept full power, continued publishing operations for several days until boxes of outrage prompted it to close. There were scuffles to buy fresh produce in some areas, break-ins at abandoned homes and random cases of looting.

And as always, there were the media mix-ups. Some coverage was apocalyptic. The Ottawa *Gazette*, whose editor's house became a fiery casualty of the weather, called it "the storm of the millennium." Some tried to have it both ways. The *Globe and Mail* ran a finger-wagging column by one of its reporters congratulating himself and his colleagues on their "level-headed" coverage while lecturing others about exaggerating the extent of the crisis. The headline over the main front-page story of the same edition consisted of a quote from a passenger on a Via Rail train after a much-delayed trip between Toronto and Ottawa in which an eye was actually hurt or died. He declared: "It was almost like the Titanic."

Ron Selzer, who approached life, arguments and newspapers with equal gusto, would have died out for days on that one.

**The ice storm produced many acts of generosity and courage—plus admirable behavior by some political leaders**



# Canada SURVIVAL SKILLS



## The ice storm brings tales of perseverance and heartbreak

BY STEPHANIE NOLEN

**I**n a dark high-school hallway in Cowansville, Que., two elderly women tried to play cards by candlelight a few nights last week. Since the power went out on Jan. 6 as the storm's reach extended where they live, they had been staying in the school—which had heat but, unfortunately, no lights—and putting a house lot on charge. "Oh they've been good to us here," they cheered, laughing praise on the volunteers running the shelter. But then one woman mentioned that her daughter, who lives 20 minutes away, had not lost her electricity in the mammoth ice storm. "I could have gone to stay with her. I suppose," she said. "But, well, she didn't offer. So I didn't ask."

A lonely sentiment—and there was no shortage of lonely sentiments across the storm-stricken region last week. But among ways, the story of the disaster, the worst in Canadian history, has been a heart-breaking tale. More than 3 million people in parts of Quebec, eastern Ontario and New Brunswick were plunged into darkness. And the country rolled. From Alberta cow operations, in the economically depressed Kootenay region of New Brunswick, volunteers chipped up and tracked



The streets of Montreal cleaning in Ayloves, Que. (Left: In the face of disaster, Canadians rallied

out 600 cords of firewood, in the stricken areas, people talked about going to leave their neighbors, and of the kindness of strangers. In some cases, it came from a distance—U.S. power crews who pushed in, soldiers from across Canada taking part in the largest ever peacetime deployment of Canadian forces. And sometimes these strangers lived just down the road: a Quebec help line was deluged with calls from people willing to take refugees into their still-heated homes.

And yet almost no one called that help line looking for a place to go. "People don't want to leave the community shelter," said Francis Goss, who ran an anonymous refuge center in Montreal's downtown last week. "They don't want to go away with strangers." Radio stations warned listeners that burglars disguised as hydro workers were telling people to leave their homes, only to return later and rob them. A few colorful merchants picked up grapes. Some Quebecers lashed out at Hydro-Quebec, saying the utility was ill-prepared for the crisis. And by week's end, the storm had claimed at least 25 lives, many of them elderly people who succumbed to hypothermia. But power had been restored in Montreal, New Brunswick and most of eastern Ontario. Prime Minister Jean Chrétien declared the situation a national emergency to allow him, late last week, to give the Texas Canada trade mission to Latin America Ontario Premier Mike Harris had departed Jan. 13. Quebec's Lucien Bouchard, though, stayed behind. And 700,000 people remained in the dark, in the regions south of Montreal and in communities west of Ottawa—with little hope of getting power back local, at least one week more.

For them, the latest spots became increasingly hard to see. Yvette Leblond runs one of the few restaurants that stayed open in St-Jean-sur-Richelieu, one of the hardest hit towns. Armed with a generator, the 24-hour Leblond continued to churn out hot meals—while Leblond slept a few hours each night above her establishment, wrapped in six blankets and with a cloth over her face. "It's incredible the hell that we're going through," she said, her eyes swelling with tears.

**I**nevitably, there is finger pointing. Is Hydro-Quebec to blame? Could they have done more? Some Quebecers asked. The utility says the crisis could have been worse. The ice crumpled hundreds of hydro towers, some like tumbled and knocked out power in three of the five main hydro distribution stations that ring Montreal and feed the island and surrounding communities. Until Jan. 10, the few lights in downtown Montreal came from a single surviving line to the island, running a huge risk of overload.

That scenario, and the lengthy blackout that virtually paralyzed businesses in the Montreal area, has raised questions about Quebec's dependence on hydroelectric power. The province has the most heavily wooded electricity than other parts of Canada. In 1996, Quebecers used electricity for 41 per cent of their energy consumption, compared with the national average of 23.8 per cent. After the storm, there were many calls for Hydro to bury the power lines. The utility says underground lines, now under consideration, would have prevented some of the disaster. But that option would be prohibitively expensive—with estimates running into billions of dollars. Hydro Quebec's chairman André Gauthier said that the utility would build a new high-voltage transmission line to help prevent another blackout in downtown Montreal, while Bouchard indicated that major changes would have to be made to protect the province's infrastructure. But in the end, nothing could really have prepared Hydro Quebec for such a disaster: its towers are designed to withstand a punishing 45 mm of ice, but the storm peaked as much as 70 mm—roughly the thickness of three hockey pucks.

Estimates now put the total cost of the storm, including damage and



St-Jean-sur-Richelieu: workings of bargains and criticism of Hydro Quebec

## CANADA

lost revenues, at \$2 billion. And while the bills will take years to write, Quebec is giving each person without power from Jan. 17 \$10 a day until their lights come back on. Some people scoffed, saying the sum was laughably small. But for others, it was desperately needed. In St-Roch, 44, wanted patiently to ask: why \$10? St-Hippolyte is back up this morning. For the next several days, they because the factory where he works a laborer shut down. Sitting in his 1982 Oldsmobile to keep warm, Roseberry said he planned to use the money to buy gas, so he could drive to Deschênes to get food in supplies from family members. "I only have \$5 in my pocket," he said.

Some people called the storm a "great leveler"—there was no more light in the middle-class suburbs of Montreal than in poorer areas. But in fact, the power outage starkly illustrated the depth of poverty and isolation that exists both in the cities and outside them. For a hidden few, there was hope—the Canadian Snowbird Association said there was a "definite increase" in departures from Montreal and Ottawa for periods south during the storm. But in the Montreal convention centre, 60 people were sleeping on mats in the main hall—and organizers said the vast majority were unemployed. Many homeless people had no way to get home. People lined up for hours at the unemployment office to ask to find out how to get their social assistance cheques. Pascale Rivest, 33, and her partner Laurent Rivest, 38, entered on the concrete floor with their two 10-month-old sons beside them in cardboard boxes. They are both unemployed, and, Rivest-Morin says, they had nowhere else to go when it got too cold at their apartment. "Our friends don't have room for us and we aren't really in touch with our families," she said.

When the temperature plunged in the second week of the storm,



Congreves and her children; pregnant and coping

police and soldiers went door-to-door, cooking, and in some cases ordering, food-outs to leave their homes. Many of those they encountered had no tools were a family people who lived alone. "It's the only good thing about this," sighed one exhausted, so-called unemotional worker, "is that we've found these people. Some of them have been living alone, subsisting on tea and toast, for years."

In the rugged countryside of Ontario's Lakeshore Highlands Township, 75 km southwest of Ottawa, few farmers thought of leaving their barns over the mere loss of electricity. In the soft glow of an oil lantern, Bill and Rita Duncan sat in their kitchen and discussed the terrible damage the ice wrought on the maple trees they tap for syrup. "All the smaller branches are off," says Rita, 54, who fringed through the sugar bush after the freezing rain abated. "The trees are still spines bending towards the sky." Bill, 60, talked of cutting branches to sell for firewood and lumber before they got their stand.

The story was much the same across Lanark last week, where farmers tried not to brood over the destruction of the region's famed maple syrup to the hydro crown struggling to restore power in eastern Canada. But there were helping hands. The Canada Army deployed 14,000 soldiers and reservists throughout the storm-ravaged areas. At McDonald Corners, the village nearest to the Duncans' farm, 36 reservists from Toronto, based in the Agricultural Hall, marched at the residence of the locals. "People here are really self-sufficient," said the Major Nardos, 33, a psychology student serving with the 46th Highlanders. "They are nothing slow to take showers, things you don't think of as a city."

Rivest and his family spent three grueling days clearing fallen trees and branches from 100 yards of sidewalks at Rivest's narrow roads and hydro lines. Then, last Tuesday they turned to making makeshift home heaters, looking for anyone in need of help. Carolyn Congreves, 34, and due to give birth any day, stayed with her children in a farmhouse without electricity or telephone service. Warned by a woodcutter, they were coping—but the string left her a



cellular phone to the could call for a ride to hospital in case the west into labor before telephone service was restored.

Some low-tech solutions helped to resolve other problems. In Corraville, Ont., Kyle MacDonell, a part-time hydro worker because he the last after some heavy work with a bow and arrow. Repair crews were struggling with ice-choked wires on an isolated road on 10. They armed MacDonell with ordinary gear, and he scored a perfect bullseye, sending an arrow, with a rope attached, through the cables. The workers then tugged and twisted the wires free.

At the zoo in Gravelly, 60 km southeast of Montreal, keepers found themselves with some unhappy animals. Manatees were treated in with the elephants for warmth, and giraffes took the adjacent barn. But what to do with exotic birds, who won't eat unless it's bright? Staff rounded up some parrots, larks and went from cage to cage, announcing lurch. "The parrots and the outcrops were getting very upset," reported one spokesman on a Radio-Canada. "We had to take the larks away again, but at least they are."

One of the strongest effects of the storm was the way it altered landscapes. "It's almost as night," and Myrland St-Onge, mayor of St-Jean-sur-Richelieu, about the deserted streets in his hard-hit town. "It's like you walked into a film studio." The bright lights of Montreal disappeared, and whole



Dead livestock in St. Albert, Ont., stacking up on a snowed-in St-John, Ont. (left), the total cost could be as high as \$2 billion

communities were invisible from the highways at night. Many of those left without power remarked that they had new appreciation for electricity. "I grew up without any of this stuff," said Raymond Plut of Montreal, who was raised in the impoverished community of Atterville, outside St-John. "We didn't have insulation, and we got water from the well, and you learn how to survive. But an apartment isn't equipped for this." Plut, 51, and his family headed to a shelter after seven chilly days in the dark.

Eventually, the thorny question of Quebec nationalism shaded over the storm drama. How would Quebecers feel about having the Canadian army on their streets? That delighted, apparently soldiers joining the relief effort put them in a secure. The Saskatchewan power company sent four members to Quebec, and dozens of employers volunteered to go on. "They saw it as a chance to show skills in Quebec winter people in the West are really big," said spokesman Larry Christie. And Hal Dan Daily News columnist Barry Plummer speculated: "It can't have escaped the nation of even the most rabid separatist that their fellow Canadians have kept to their aid in the last 16 days."

For now Canadians, there was another lesson in the storm. In 1988, Hurricane Mitch ravaged from Louisiana, where 35 years of civil war snuffed electrical services and shattered communities. "The first stage

the power went out in Montreal, my friends and I just had to laugh because here we were again in the dark," he said. But he thinks the storm will be a reality reminder for Canadians. "We have to appreciate how good it is here, and what we have." No doubt residents of those areas still without power will appreciate what they have, too—when the nightmare finally ends.

With JENNIFER BRUNSWICK at St-Hippolyte, JOHN GRIVAS in Lanark Highlands Township, BRISVA BRONKMAN in Hilder and DALE ESKER in Calgary

**THE POWER OF THE STORM** Electricity from northern Quebec to Montreal and surrounding communities heads through the main distribution system, only are left in operation as the ice storm nearly destroyed the system.





## CANADA

# Apocalypse now

The light outside Brian Wong's store signified that his was ready for business. But on Jan. 14, when she reopened her Ste-Catherine Street gift shop after it had been closed for a week, it remained empty. Scores of offices and businesses in Montreal stayed shut, as Hydro Quebec tried to fix its fragile power system, pummeled by the worst ice storm on record. "I'm so upset," sighed Wong, slumped by the silent cash register. "People are afraid of talking to, they aren't shopping anymore." After power began to return to the city last week, the government required businesses to keep their doors closed until Thursday in order to conserve power. Wong and her husband, who operate two gift shops in Montreal, opened a day early, eager to make up for the 100 of lost daily revenue. But to no avail. "Maybe it will turn OK, and we'll survive this," she said.

At the height of the crisis, one Ste-Catherine Street video store posted a sign advising customers that it would be closed "until the end of the apocalypse." For many farmers, business people and employees caught without power, revenue or jobs, that sentiment would not seem extreme. With an estimated \$5-billion price tag, the storm is the most expensive natural disaster on Canadian record. Hydro Quebec's estimated repairs alone may cost \$300 million. And the Alliance of Manufacturers and Exporters of Quebec's preliminary estimate puts the losses from office and plant closings at \$600

million, with retail losses running at about \$40 million for each day that stores remained closed.

The tab is all going up south of Montreal, where several municipalities continue to coast without power. Missi cleared its Breakout semiconductor plant last week, but still paid its 260 employees "I have no idea what it's going to cost, but in a wild estimate I would say \$300,000 to \$400,000 a week," said Canada Factor Inc., a manager at the plant. Some companies, such as IBM, planned to resume production this week with the help of generators (IBM was forced to shut down its Montreal operation for five days). The situation was more dire in St-Jovite-on-Richelieu, where power was still completely blacked out by the city's end and likely will not have its power fully restored before Jan. 20. In the abandoned downtown core one day last week, electrical cables still lay on the ice-covered sidewalks. The only sound in Robert Jacques's Manoirs Cash Inc. pawn shop was a ticking clock. Dressed in a blue jacket and wearing a toque to keep warm, Jacques watched for four hours in his trap, until noon, although business was nonexistent. "I don't want to think about it," laughed Jacques about how (reels) money the blackout is likely to cost him.

According to Yves St-Maurice, senior

executive with the Movement des citoyens Québécois, the storm could prove to be the "coup de grâce" for small businesses that were already in difficulty. The agricultural sector was also hard hit. One Quebec farmer lost 10,000 chickens—dead suffocated after the air circulation system failed as a result of his generator breaking down. Lauree St-Pollet, the head of Quebec's Union des producteurs agricoles, says the blackout has put a strain on farmers and increased their workload. "They're exhausted," he says. And the Quebec Maple Syrup Producers' Association estimates that 30 per cent of sugar bush operations in the province have been damaged by the storm.

Despite the individual hardship, some observers say the disaster is unlikely to cause a significant overall impact on Quebec's economy. Joe Scelland, director of Carleton University's Emergency Communications Research Unit, which studies disasters, maintains that such events have no appreciable economic impact. "It balances out," says Scelland, noting that losses are offset by the influx of money into the economy from government aid and insurance companies. So far, in fact, the federal government provided \$50 million in immediate relief for Quebec, which was hit hardest by the storm, and \$35 million for Ontario, the first advances in what will eventually amount to many times more.

The Insurance Bureau of Canada also estimates that it will pay out about \$600 million in insurance claims in Quebec alone. Raymond Médas, the bureau's general manager for Quebec, says insurance covers such things as damage to cars and households caused by falling branches or ice. Any damage caused by required winter repairs is also covered, and the power industry has been forced to repair. At that point, claimants must show they took the precaution of shutting off all water to the house or apartment, and letting the taps run dry.

Some economists agree with Scelland's point of view. "Once things get back to normal, they'll make up production," predicts Royal Bank of Canada economist Carlos Lina. And Gerald Fontana, president of the Alliance of Manufacturers and Exporters, is similarly optimistic that the economic impact of the disaster will prove negligible by year's end. "The 15 days of recovery will be the worst, right after the storm over experienced at Montreal," he asserts. But for now, using people simply want to forget about the storm altogether.

**BRISINDA BRANWELL** with  
**STEPHANIE NGLEN** in Montreal and  
**DAVID HARRINGTON** in Toronto

## Canada NOTES

### TRAGEDY AT SEA

Canadian Forces personnel aboard two Labrador helicopters managed to rescue four foreign women clinging to an overturned lobster in the North Atlantic south of Newfoundland. Their cargo ship, the Cyprus-registered *Flores*, sank in heavy seas. Rescuers also recovered 15 bodies, while six crew members remained missing.

### TALKING SALMON

Canadian and U.S. officials welcomed a report by two special envoys calling for suspension of talks on West Coast salmon quotas. Such negotiations should place national interests ahead of regional ones, the envoys concluded. The report said Canada deserves a higher quota but must compromise.

### REFORMING REFORM

In St. Catharines, Ont., speech, Opposition Leader Preston Manning said the Reform party supports using 30 per cent of the budget surplus to halve the country's \$200-billion debt by 2011. The other half should be used for tax relief, Manning said.

### NO B.C. JACKPOT

B.C. Supreme Court Justice Denzil Owen-Road struck down provincial gaming regulations brought in last year, ruling that the Criminal Code requires all profit from charity games to go to charities. Provincial officials had predicted that the regulations—challenged by the Metro Community League Association—would have funneled \$270 million a year into government coffers.

### FAIRWELL TO FLUTIE

Toronto Argonauts quarterback Doug Flutie and the National Football League's Buffalo Bills came to an agreement in principle that would see the Canadian Football League's season most valuable player leave Canada. The signing will likely take place this week after the Maryland-born Flutie, 32, passes a physical.

### SENTENCED FOR FRAUD

St. Thomas, Ont., native Viji Sargent, 35, was sentenced to two years for fraud. Sargent, whose scams included convincing her mother-in-law to invest over one million dollars in Montreal, he asserts. But for now, using people simply want to forget about the storm altogether.

### SORRY, NO SANDHU:

After newcomer Ernie Sandhu's upset second-place finish at the Canadian figure skating championships in Hamilton, the Canadian Figure Skating Association pleaded with the Canadian Olympic Association to let the 17-year-old from Richmond Hill, Ont., go to the Nagano Olympics in February. But two COA committees ruled that Sandhu, who was a junior a year ago and could not compete for 2½ months due to an injury in September, was ineligible. Outraged fans as well as former Olympians said the COA should have made an exception for the promising athlete. Sandhu and his coach, however, decided to forgo arbitration and accept the ruling. "My dream just has to be put on hold," Sandhu said.



## The Eagle wins

Alan Eagleson may have pleaded guilty in two countries to fraud and theft charges, and he may be behind bars, but this should not lead to conclusions that the Eagle's escapades are over. When it comes to holding onto the money the hockey dictator managed to siphon away from the 30 years he stole from clients and sponsors, there is by all appearances plenty of tough-and-tumble action ahead.

Eagleson threw down the gauntlet last week, when, right after receiving his 18-month criminal sentence, he asked the Ontario Court of Appeal to order the release of his former lawyer Brian Mills Gilis (\$62,000), a down payment on the \$375,000 Eagleson owes Gilis as a result of a lengthy lawsuit.

Eagleson also asked that the appeal court postpone another part of the decision, ordering him to put a further \$75,000 in trust to cover part of the costs of his upcoming appeal of the Gilis award. As they have in the past, Eagleson's lawyers paid off the Court rule that the partial payment to Gilis remain where it is—also in trust. In addition, supporters that Eagleson may liquidate or hide his assets did not justify paying out the \$75,000, the court ruled, before he is formally questioned by Gilis's lawyers about the location and extent of his holdings. The panel did, however, refuse Eagleson's request that he be excused from answering such questions. In fact, the court ordered that the examination could proceed sooner rather than later—well north

times in the mid-1980s will lead to a sharp increase in the number of Indians. Mitas and Linea will soon need jobs and housing: about 35 per cent of the native population is under 15, compared with just 20 per cent of the non-aboriginal population. Native leaders called on governments, business and their own communities to act quickly to avoid a social disaster among young aboriginals.



## World

# A political meltdown?

**A**fter the fateful finished proving last week at Jember, Indonesia's central Jakarta. fiery preacher Abol Salim began his daily harangue against Indonesia's wealthy elite. These days, Salim, who uses loud speakers to ensure that his message reaches the wealthy people living in the plush apartments nearby, is especially angry. The International Monetary Fund has agreed to pump \$9.2 billion into Indonesia to rescue its financial system from collapse. As the plan's better medicine takes effect, prices will rise and the ranks of the unemployed will swell, but Salim is sure the family and cronies of long-riding President Suharto will continue to prosper. Salim's outrage is increasingly shared by millions of Indonesians, and there is more growing and ungrounded demand for Suharto, 70, to go. Salim, like his many Indonesian followers, the thousands could turn violent. "Muslim people are experiencing poverty," complained Salim in his address. "What are the rich doing to help?"

Since he seized power in 1965 after hundreds of thousands died in the bloody wake of an abortive military coup, Suharto has ruled the country like a bloodthirsty Japanese emperor. The former general and longtime farmer rewarded his friends and family by allowing them to take control of many of the country's biggest corporations. Suharto's army capitalists worked far better than the socialism of his predecessor, antirealist Suharto's (many Indonesians use only one name)

Indonesia rose out of poverty, a thriving middle class emerged and the nation of 202 million people—the world's fourth most populous—became an engine of Southeast Asia's economic boom.

But much of that growth was financed with borrowed money that the country can no longer afford to repay. With the currency, the rupiah, last week worth less than half its value a year ago, Suharto's subjects are growing angry. "All the government's lies are out in the open," and Jakarta businessmen Lukman Gusman as he prepared to pray at the Jember Al-Dubai mosque. "The social gap is widening and people don't believe in the government anymore." Led by Megawati Sukarnoputri, 56, the democracy-minded daughter of Suharto, opposition parties are demanding that Suharto retire, which has earned him the title of "General Suharto" in "corruption." Megawati said in a hard-hitting speech in which she announced her willingness to replace him. "He is an economic criminal." There are even rumors of a split in the military between a pro-Suharto camp and an Islamic element led by younger officers who want him removed.

The stakes in the battle to replace the aging, and at times ailing, strongman are huge. The IMF, the World Bank and the Asian Development Bank have agreed to loan Indonesia, South Korea and Thailand nearly \$10 billion to help them meet payments on their foreign debts and on government-backed loans to troubled corporations. If those loans cannot be repaid, the IMF bailout could come unglued. "Scal-

ing shock and currency markets plummeting against Canada's gold trade with Indonesia is only about \$1.2 billion, but the uncertainty in the region has already taken a toll on the Canadian dollar.

World financial markets have bluntly demonstrated that Suharto is no longer in full control of his country. When his latest budget showed that he was dragging his heels on implementing the pain-making IMF reforms—reforms they would mean dismantling some of the massive conglomerates controlled by his family—the Indonesian rupiah lost 30 percent of its value in little more than a week. U.S. President Bill Clinton phoned Suharto on June 9 and urged him to follow the IMF directives—which include allowing banks and a number of private companies to go bankrupt. After discussions with IMF managing director Michel Camdessus in Jakarta, Suharto finally agreed to go along. In a nationally televised address from his residence last week, he said the reforms would

help the U.S. green economy. Lurking in the background are fears that China, relatively untouched by the regional crisis, might decide this year to compete with the cheaper neighbor using currencies, trigger another damaging round of devaluations.

Even in Indonesia, the IMF plan does not take account of \$1.9 billion that Indonesian corporations owe, primarily to banks in Japan and neighboring Singapore. If the private debt is not renegotiated, many companies could be in trouble. In the final analysis, Ostry said, no one really knows what will happen in Asia over the next year or whether the rescue will even work. "Startling information comes out every day," she said. "This is likely to get worse—certainly on the political side."

That seems a struggle for Indonesia. In an effort to head off a political meltdown, Suharto agreed last week to the southeast deals signed by his older children would be succeeded, such as his younger sons for a national car project run by his youngest son, Tommy. The measures were also sure to affect other leaders like Bab Hassan, a close Suharto friend who grabbed a major stake last year in what turned out to be a fraudulent gold claim by Rex-X Minerals Ltd. of Calgary. Analysts said the moves to strip Suharto's children of some of their profits may hurt his government's core base. "It's not very significant in monetary terms," said David Chang, head of research at Jakarta's Transview Securities, "but it's important for investors to see that the government is not spending well-connected individuals."

Yet Suharto's move to curtail his family's wealth was too little, too late for many Indonesians. When the rupiah plummeted, panic buying broke out in Jakarta supermarkets. A 15-year-old Indonesian named Mary was at a stall in a food-market here, her cart piled high with powdered milk and rice. "I experienced food shortages before 1965 and it reminds me of that now," she said. At a market stall where he was selling music cassettes, Fikri, 28, said he hoped the dictator would leave soon. "I demand last week that Suharto was not the president anymore," he said. "Now, I feel brave enough to talk about that in the daylight."

Tensions on the street are expected to increase as more people lose their jobs and the country falls into recession. In the past, ethnic Chinese, who make up four percent of the population but control much of the wealth, have been blamed for the country's economic problems—and often attacked. Last week, scattered incidents of food rioting were reported in East Java. So far, the most vocal opposition to Suharto's rule has come from Megawati, who also enjoys the support of two of the country's most powerful Muslim leaders—Amrullah Rusa, who heads the 25-million-member Muhammadiyah, and Abdurrahman Wahid, leader of the 30-million-strong Nahdlatul Ulama. A major political alliance is developing among the three that has the potential to break thousands of people into the streets. But does not believe Suharto will resign the government. He has always been hailed for his commitment to the economic and political reforms, and then. "I don't have any confidence that he will suddenly change."

Suharto will be difficult to dislodge. The military leadership is considered softly behind him, and the People's Consultative Assembly, which meets in March to formally select the president, is dominated by officers and members of Suharto's ruling Golkar party. There is little hope that the army will support a coup. Support even if he is nominated in the assembly, which is now preparing to reelect Suharto's seventh term in office. Nor is there any clear successor within Suharto's camp. Given his health problems, political analysts will examine closely his choice for vice-president. So will global financial analysts. For if things go wrong in Indonesia—a nation that has known terrible turmoil in the past—the repercussions will be felt around the world.

## Indonesia's financial crisis sparks calls for Suharto's ouster



Suharto signs IMF pact in Comdexes meeting, opposition rally depicts fears of violence

"Today is a special day," he said, opening the pact with his voice rose to drown out the sound of two caged fighting cocks in the background. "We have signed an agreement that will solve the country's economic problems."

The rupiah's currencies and stock markets stabilized following Suharto's decision to back the IMF. But many analysts wondered how long the calm would last. To Spina Ostry, a research fellow at the University of Toronto's Centre for International Studies, there are constant indications that the depth of the financial crisis across Asia is not fully understood—and it is far from over. Last week, for instance, Japanese officials shocked many analysts when they admitted that the nation's banks were holding \$761 billion in bad loans, far higher than previously thought. In Hong Kong, Perimeter Investments Holdings, Asia's biggest securities trader, went under in large part due to losses in Indonesia. Its collapse put new selling pressure on the Hong Kong dollar, which has so far maintained its

TOM FENNELLS with JENNY GRANT in Jakarta

# The President and Miss Jones

Dear Friend,  
Fighting for government is an uphill battle, but I will not  
I cannot, back down

Thank you in advance for helping me take my case to court  
and supporting my belief that Bill Clinton should apologize  
for the terrible things he did and said to me while he was  
governor of Arkansas.

—Dr. Paula Jones, 41, secretary  
of the President  
Paula R. Jones

Paula Jones's appeal comes near the end of a four-page letter, professionally produced on cream-colored paper with an attractive lavender border. A reply card comes with it, soliciting donations of \$50, \$25 or "whatever you can afford" to the Rutherford Institute, a conservative legal foundation based in Charlottesville, Va., that has taken on Jones's rescue by promising to pay the lawyers' bills that are piling up in her suit against President Bill Clinton. The institute originally thought it would be on the hook for about \$500,000. Now, after the case leading her trial on May 6, 1998, Jones Whitehead, with the estimate was too low. But making sure Paula Jones gets pay for the "terrible things" she says Clinton did is, Whitehead insists, a matter of principle. "We are committed to carrying this out, and we'll do it."

Paula Jones, once dismissed by Clinton's own aides as a "trivial park" opportunist who should not be taken seriously, is moving up fast on the President's political agenda. For the first time last week, Clinton was forced to personally answer her embarrassing charge that he exposed himself to her and demanded that she perform oral sex on him at the Executive Hotel in Little Rock, Ark., while he was governor and she was a low-level state clerk in 1991. On Saturday morning, Clinton went to the Washington offices of lawyer Robert Storch to be questioned under oath by Jones's lawyers, as he had done in his presence, as part of the preparation for the trial. After about six hours in the 12th-floor conference room, both sides stepped away—Clinton on his limousine, Jones in a cab—as the media rifled about the entrance to the building. And with the session subject to a strict pay order, neither side would comment on the proceedings.

But the occasion marked the first time that a sitting president had to give sworn testimony as a defendant in a lawsuit. And whatever the merits of her case, Jones has shown remarkable persistence in pursuing it. The essence of her charge is that Clinton wooed her to his hotel room in Little Rock on May 6, 1991, and made the sexual advances. He flatly denies her story, and says he does not owe sexual advances for anything her lawyers, in court documents filed in December, call the whole case "a grandiose attempt.... to use the judicial system improperly to humiliate and embarrass the President." Still, they are anxious to see if Jones can win. Last September, the Clinton team reportedly made an offer of \$200,000 (the equivalent of \$1 million today) plus a statement of regret from Clinton about any harm done to Jones's reputation. She rejected the deal, paired with her lawyers and



Jones, crying  
for the weekend,  
arriving, claiming  
sexual harassment

sued to fight on for a full apology. Her lawsuit asks for \$355,000 (\$750,000 in damages).

Since then, the Rutherford Institute has come to her aid. Whitehead, who initially lobbied to cover opposing religious freedom, says the issue is simple: "It's the right of a decent woman to be free of sexual harassment. No one—be he king, emperor or president—should be above the law." He put Jones in touch with her current lawyers, the Dallas firm of Rader, Campbell, Fisher & Pyle, and promised to foot the legal bills. A separate respondent, the Paula Jones Legal Fund, is also raising money for her, described by funds on its Web site (<http://www.jonesfund.org>) as "David versus Goliath." Clinton Jones versus President Clinton (and his army of lawyers and advisors). Clinton's supporters are firing back. Last week, a Democratic political consultant, Jennifer Landis, drafted a statement accusing Washington as accusing Jones of using the money to finance a fancy lifestyle, and questioning the tax-exempt status of the Rutherford Institute. "Paula Jones is now dressing a Mercedes-Benz subsidized by her tax dollars," said Landis.

"She's a victim—she's a capitalist and an opportunist." The fight is bound to get dirtier and, if possible, even less dignified. One of Jones's most troubling charges is that she can identify "disturbing characteristics" about Clinton's personality. The President's lawyer, dismissed that last fall by saying that "in terms of size, shape, direction, whatever the domain mind wants to discuss, the President is a normal man." "No one has said publicly what Jones must have in mind, but The Washington Times reported in October that on an affidavit filed with the court in Little Rock, she says the characteristic as question "is a distinctly angled head visible when the president is erect."

However awkward last weekend's encounter was for Clinton, the stream of publicity likely to come out of the trial in May will surely be worse. Recent reports say that Jones now wants at least \$2 million (\$2 million in Cdn) plus an apology to settle, and even the President's knowledge last week that a public trial seemed inevitable. "I just try to put it over as a little box and do my work," he said in an interview. As the court case approaches, that will become a lot harder to do. □

# Efficiency expert

The UN's boss chooses a Canadian as his deputy

The boys at the male-oriented United Nations called their "G-7" short for Girls Seven. During the mid-1990s, Canadian Ambassador Louise Fréchette, U.S. representative Madeleine Albright and the representatives of Jamaica, Trinidad, the Philippines, Kazakhstan and Liechtenstein were the only women sitting in the UN General Assembly. So it was only natural that they would gravitate together, forming a loose club that met for lunch each month to talk about everything from the latest penicillin-resistant strains to the most recent pronouncement of the Vatican on the UN bureaucracy. "It became quite an interesting sounding board," recalls Fréchette fondly. "We got to know each other quite well."

That could come in handy last week. Fréchette, 51, was named the first UN deputy secretary general, making her second-in-command at the beleaguered world organization. And whether she succeeds at the new post, could, at least in part, depend upon her old lunch mate Albright, now the U.S. secretary of state.

Fréchette, considered one of the brightest stars in Canadian public service, was full of fire and confidence during an interview from her New York City offices. Yet she acknowledges edges she takes her post at a critical time. The United Nations has been assailed for waste and corruption, and she is looking increasingly awkwardly at the head of the United Nations, who handled complex tasks for which it is ill-equipped. "This issue of these trusteeship is a different one," says Fréchette. "It is a time for the UN to redefine its vision and its role."

Secretary General Kofi Annan created the new position as part of his efforts to reform the organization. Annan is a vocal proponent of multiculturalism; the male has, he approached Ge Brunstad, former prime minister of Norway, and Sadako Ogita, the Japanese UN high commissioner for refugees, both turned him down. So Annan turned to a woman he had worked with closely while she was UN ambassador and he was in charge of peacekeeping. What he told him to the Montreal area, writer diplomat's source was, was Fréchette's administrative prowess in addition to acting as Canada's ambassador in Argentina and Geneva, she has served as an assistant deputy minister of finance. Most recently, the unnamed Fréchette was deputy minister of defense, where she stepped into

the highly charged Somalia situation, earning a reputation for being tactical and cautious. Fréchette, who speaks Spanish, French and English fluently, will stand in for Annan when he is away. But she is no mere figurehead. Annan named a deputy who could live her up from co-ordinating the activities of the United Nations' mind-boggling list of departments, funds, programs and specialized agencies. He also wants her to raise the organization's profile in economic and social spheres, including Third World development. Her main task,



Fréchette with Annan, receiving a male boss

though, is to take over from another Canadian global dispenser Maurice Strong, who until the end of 1997 directed the top-to-bottom reforms designed to silence critics who say the United Nations is bloated and badly run. Her goal, says Fréchette, "is to make the United Nations work as efficiently and coherently as possible and to ensure that we use our limited resources to the best possible purpose."

Which is where Albright could come in. Just last week, the secretary of state was badging Republican congressmen for blocking passage of a bill that would pay some of the estimated \$2 billion the United States owes the United Nations. So desperate is the beleaguered organization that it has reportedly made its peacekeepers hungry to pay staff. No wonder Fréchette—like everyone at the United Nations—is grasping that her old friend Albright, as their next boss, they should have plenty to talk about.

JOHN DeMONT in Ottawa

# GLOBAL PLAYERS

Louise Fréchette joins an impressive list of Canadians holding top positions in international organizations. Among them:

**Donald Johnston**, 61, secretary general of the Pan-American Organization for Economic Co-operation and Development, the so-called rich countries club. Johnston is a former Liberal cabinet minister.

**Louise Arbour**, 50, special prosecutor for the International War Crimes Tribunal in The Hague, who has subjects from the former Yugoslavia and Rwanda. She was an Ontario appeal court justice.

**Maurice Strong**, 69, special adviser to UN Secretary General Kofi Annan and former president to World Bank president James Wolfensohn. Strong is a longtime public servant and businesswoman.

**Gen. John de Chastelain**, 60, co-chairman of peace talks on Northern Ireland. He was formerly Canada's chief of defense staff.

**Stephen Lewis**, 60, deputy executive director of UNICEF. An NDP parliamentarian, he is a former Canadian ambassador to the United Nations.

**Richard Poud**, 55, Montreal-based vice-president of the International Olympic Committee. A lawyer, Poud negotiates the lucrative Olympic TV and sponsorship deals.

**Jean-Louis Roy**, 56, secretary general of the Pan-American Francophonie, the organization of French-speaking countries. Roy is a former publisher of Montreal's Le Devoir newspaper.

**Eric Wickham**, 58, deputy secretary general of the Commonwealth in London. Here was previously director general of the Canadian International Development Agency.

## IRISH PEACE TALKS SET

Rebel groups from Northern Ireland agreed to proceed with peace talks in London later this month. The breakthrough came after Britain and Ireland set out Irish proposals that include a new Northern Ireland assembly and a second to oversee co-operation on issues. But Jim Peck, the political arm of the Irish Republican Army, said it would use the negotiations to oppose the new proposals.

## A FRAIL POPE

Pope John Paul II prepared for his historic visit to Cuba this week amid growing concerns over his health. The pontiff, 72, who is widely reported to suffer from Parkinson's disease, appeared to totter during a baptism ceremony in Rome. He also looked frail when he made a visit to Rome's city hall three days later. Aides helped him climb the steps of the newly restored building after he missed his footing.

## CORRUPTION CHARGED

U.S. Labor Secretary Arlene Hansman denied that she received kickbacks in exchange for influence peddling. The allegation arose in a TV interview with a businessman who claimed he gave her an unspecified sum of cash in 1994 when she was working as a White House aide. He said the money came from a client seeking a license for a satellite-telephone system. The justice department may appoint a prosecutor to investigate.

## MISSION TO ALGERIA

A European Community first-aid mission on Algeria's mass killings finally arrived in the north-African country after the EC agreed to send senior ministers. Algerian officials had complained that a lower-level delegation of diplomats was unacceptable. At least 10,000 people have died since 1992 in the struggle between Muslim militants and the military-backed government.

## THE MARS DEBATE

Reports in the latest issue of the weekly journal *Science* cast doubt on assertions by NASA scientists that organic chemicals in a meteorite from Mars could be evidence that life once existed on the red planet. According to the latest reports, the chemicals are more likely of earthly origin and contamination of the meteorite could be erased in Antarctica thousands of years ago.



**STILL THE RIGHT STUFF:** Delighted to be spacebound once more, Senator John Glenn gestures alongside a 36-year-old photo of himself at NASA headquarters in Washington, where it was announced that he is again scheduled to make history. The earlier photo was taken on Feb. 28, 1962, not long before Glenn boarded the capsule *Friendship 7* and rocketed into space to become the first American to orbit Earth. Next October, the Ohio Democrat, who will be 77 at the time, is to head back into space aboard the shuttle *Discovery* as part of an experiment about space and aging. Glenn will become the world's oldest astronaut—and once again a poster boy for a publicly-conscious agency.

## Clinton makes a bid for peace

It is the most powerful bid yet to salvage the faltering Middle East peace process. This week, U.S. President Bill Clinton was due to meet in Washington with Israeli Prime Minister Benjamin Netanyahu and Palestinian leader Yasser Arafat. During the separate encounters—with Netanyahu on Tuesday and Arafat on Thursday—Clinton hoped to break the 16-month impasse between Israelis and Palestinians that is threatening to unravel the 1993 peace agreement signed between the two sides in Oslo, Norway. As a prelude to restarting the stalled talks as a long-term settlement, Clinton was expected to urge Israel to withdraw from more West Bank territory and call a

halt to Jewish settlements in occupied land. In turn, he would ask the Palestinians to crack down harder on guerrilla violence.

The early signs, however, were not encouraging. On the eve of Netanyahu's departure for Washington, his rightwing cabinet insisted it has no territorial withdrawals would hinge on Palestinian compliance with a 18-page list of security demands. Even more ominous, the cabinet also declared large chunks of the occupied West Bank to be of "total national interest," suggesting that the territory in question would never be ceded. "Not helpful" was the way one senior U.S. official described the cabinet's list of preconditions.

## Girding for a new showdown in the Gulf

Tensions mounted once again in the Gulf after Iraq twice prevented a UN arms inspection team from operating. Baghdad accused team leader Scott Ritter, a former U.S. marine officer of being an American spy. As Ritter and the other 10 members of his team left Baghdad for New York City, the chief UN arms inspector, Australian diplomat Richard Butler, headed in the opposite direction for talks with Iraqi leaders to demand full access to suspected chemical and biological weapons sites. But at a defiant speech at week's end, Iraqi President Saddam Hussein threatened to halt the inspections altogether unless sanctions against his country were lifted.



## Exactly how risky is 'risky'?

It's all subjective. Especially in investing, management has a proven track record and That's why, when investing in a fund, strong balance sheets are clearly evident. This category that normally carries a higher level of risk, you need the strict risk management controls at work in Guardian Enterprise Fund. Broadly diversified, it comprises small and medium Canadian companies with excellent growth potential.

### GUARDIAN ENTERPRISE FUND

RANKED BY RISK			
1 YEAR	3 YEARS	5 YEARS	10 YEARS
15.9%	31.1%	21.6%	13.6%

fund delivers. There's no question the wise investor should hold at least one Guardian fund in their portfolio. Talk to your financial adviser about holding Guardian Enterprise Fund in yours. Or get in touch 1-800-668-7527 or [www.guardianfunds.com](http://www.guardianfunds.com)

DISCIPLINE. PROVEN TRACK RECORD. PERFORMANCE. **GUARDIAN** MUTUAL FUNDS

The Ranked Performance column reports information about the Fund. Copies are available from Guardian or an authorized dealer. Read them carefully before investing. Use value and investment return will fluctuate. The rates of return shown are the annual return for 1 year and the annual compound total returns for 3, 5 and 10 years ended November 30, 1997, including charges to unit value. The rates of return include reinvestment of all distributions and do not take into account sales, redemption or administrative charges payable by holders which would have reduced returns. Rates of return shown are for the Classic Units, returns for the Mutual Fund Units will differ. Past performance is no assurance of future results.



# THE BEST AND WORST MUTUAL FUNDS

BY ROSS LAVER

First, the good news: the bear didn't strike in 1997, although only the faint-of-hearting could have missed the growling and gnashing of teeth off in the distance. With panic sweeping through Southeast Asian financial markets and share prices zigzagging wildly on computer screens around the globe, stock market investors needed patience and steady nerves to hang in when many of the pros were advising them to sell. For holders of Canadian equity mutual funds—the basic ingredient in many investors' retirement portfolios—the reward for keeping the faith was an average 1997 return of 13.6 per cent, down sharply from 25.6 per cent in 1996, but still about



The investment outlook is more uncertain than it has been in years

three percentage points higher than the stock market's long-term historical average.

The bad news? As 1998 gets under way, the investment outlook is more uncertain than it has been in years—witness the 40-percent drop in the Toronto Stock Exchange 300 composite index since Jan. 1. Economists are still struggling to assess the full extent of the Far East crisis, but even the optimists acknowledge that it will cut deeply into demand for Canadian forestry and mining products, rendering unlikely a speedy recovery in the share prices of some of the country's biggest companies. Some analysts go much farther, suggesting that the recent flurry of currency devaluations in South Korea, Thailand and other Asian-Pacific countries will hamper companies that do business in that part of the world and force North American manufacturers to compete against a flood of cheaper imports, from cars to computer parts.

If those predictions are right, Canadian investors may be in for a rocky 1998. It does not mean, however, that you ought to panic on the sidelines in the early months of 1998; you may still find some screening bargains—funds that have taken a big hit recently but could recover quickly if analysts decide that the seriousness of the Asian situation has been overblown. "The big problem, of course, is that nobody knows re-

ally what's going on in Asia and what the ultimate impact will be," says Fred Pynn, Canadian equity fund manager for Bisset & Associates Investment Management Ltd. in Calgary. That said, Pynn is worried that investors have been lulled into a false sense of security by several years of above-average gains. (The most recent bear market, consistently defined as a drop in securities prices of 15 per cent or more, lasted from January to October of 1990.) "You have to be prepared for occasional down markets," Pynn warns. "The market's been very good to people, and I think a lot of people have let their guard down."

How good has the market been? That all depends on whom investors put their money on, as can be seen from this year's *Mutual Fund* rankings, calculated by BellCharts Inc., an independent Toronto-based company that analyzes fund performance. The accompanying tables show the best and worst funds in six major categories based on three different measures: the annual compound returns over three years, the three-year-adjusted returns over three years, and the average annual returns in each of the past five years. This 30-page report also includes a follow-up assessment of funds that did well in last year's rankings (page 38), a mutual fund roadshow with analysis and advice from the experts (page 42) and a report on the burgeoning

Mackay's BellCharts Rankings

## WHAT THE RANKINGS MEAN

**Three-year annual compound returns:** Annual compound return over three years to Dec. 31, 1997.  
**Risk-adjusted three-year returns:** A ratio that measures return against the degree of risk. The number is arrived at by subtracting the amount of money an investor would have made over three years by investing in 90-day treasury bills (which are risk-free) from the fund's three-year compound return. The result is then divided by its standard deviation—a measure of volatility. The higher the final number, the greater the return for the amount of risk.  
**Average one- to five-year annual returns:** The average of the returns in each of the past five years. Shows which funds performed best in the medium term.

## CANADIAN EQUITY Funds that invest in shares of Canadian corporations (3 years: 153 funds; 5 years: 132 funds)

TOP 10 3-YEAR ANNUAL COMPOUND RETURNS	TOP 10 RISK-ADJUSTED THREE-YEAR RETURNS	TOP 10 AVERAGE ONE-TO-FIVE-YEAR RETURNS
1. AIC Advantage Fund 48.2	1. AIC Diversified Canada Fund 9.8	1. AIC Advantage Fund 26.7%
2. AIC Diversified Canada Fund 48.1	2. AIC Advantage Fund 9.8	2. AIC Advantage Fund 26.7%
3. Glen BRRP Fund 29.6	3. Glen BRRP Fund 7.8	3. Glen BRRP Fund 26.7%
4. Glen Environment Equity Fund 29	4. Glen Environment Equity Fund 7.8	4. Glen Environment Equity Fund 26.7%
5. Glen Canada Equity Fund 27.7	5. Glen Canada Equity Fund 7.8	5. Glen Canada Equity Fund 26.7%
6. CITE 100 BRRP Fund 25.9	6. Glen Environment Equity Fund 7	6. Glen Environment Equity Fund 26.7%
7. CITE 100 BRRP Fund 25.8	7. Glen Canada Equity Fund 6.7	7. Glen Canada Equity Fund 26.7%
8. AIC Advantage Fund 25.6	8. Spectrum Diversified Canadian Investment 6.4	8. Glen Environment Equity Fund 26.7%
9. CITE 100 BRRP Fund 25.2	9. CITE 100 BRRP Fund 6.0	9. Glen Canada Equity Fund 26.7%
10. Maclean Bulletin Period Canadian 24.8	10. Canill Security Fund A 5.9	10. Glen Environment Equity Fund 26.7%
<b>WORST</b>		
1. Maclean Bulletin Capital Debt Growth 5.8	1. Maclean Bulletin Capital Debt Growth 5.8	1. Maclean Bulletin Capital Debt Growth 5.8
2. AIC Advantage Capital Fund 5.7	2. Maclean Bulletin Capital Debt Growth 5.8	2. Maclean Bulletin Capital Debt Growth 5.8
3. AIC Advantage Capital Fund 5.4	3. AIC Advantage Capital Fund 5.4	3. AIC Advantage Capital Fund 5.4
4. University Avenue Canadian Fund 5.3	4. University Avenue Canadian Fund 5.3	4. University Avenue Canadian Fund 5.3
5. Canadian Protected Fund 5.2	5. Canadian Protected Fund 5.2	5. Canadian Protected Fund 5.2
<b>BOTTOM</b>		
1. University Avenue Canadian Fund 5.8	1. University Avenue Canadian Fund 5.8	1. University Avenue Canadian Fund 5.8
2. Maclean Bulletin Capital Debt Growth 5.8	2. Maclean Bulletin Capital Debt Growth 5.8	2. Maclean Bulletin Capital Debt Growth 5.8
3. Maclean Bulletin Capital Debt Growth 5.8	3. Maclean Bulletin Capital Debt Growth 5.8	3. Maclean Bulletin Capital Debt Growth 5.8
4. Maclean Bulletin Capital Debt Growth 5.8	4. Maclean Bulletin Capital Debt Growth 5.8	4. Maclean Bulletin Capital Debt Growth 5.8
5. Maclean Bulletin Capital Debt Growth 5.8	5. Maclean Bulletin Capital Debt Growth 5.8	5. Maclean Bulletin Capital Debt Growth 5.8

number of Internet sites with information of use to Canadian investors (page 50). In addition, there is a feature profile of money manager Jonathan Williams of Burlington, Ont.-based AKC Ltd., whose controversial investment style has yielded huge gains for unitholders throughout the recent bull market. Williams' AKC Advantage Fund piled up an astonishing 46.1 percent annual compound return over the past three years, putting it at the head of the class for Canadian equity funds for the second year running.

Out of the more than 1,500 mutual funds available to Canadian investors, the charts on the following pages identify funds that have performed exceptionally well or poorly in the recent past. (The figures shown are net of all management fees and are based on total returns, including dividends, to Dec. 31, 1997.) Funds that have been in existence for less than three years were not included in the rankings. Nor do the rankings consider specialty funds, such as those that invest primarily in precious metals or resources, which tend to be more volatile than other stock-based funds and are therefore suitable mainly for experienced investors.

Experts caution, however, that a fund's history is no guarantee of future performance; a point underscored by the wide variation in the returns generated in 1997 by funds that scored highly in last year's Morningstar's rankings. As well, market returns say investors should not put money into any fund without defining their objectives and considering the fund's particular investment style. Stock-based funds, for example, are typically suitable only for people who can afford to leave their savings invested for at least five or six years. If the money is likely to be needed sooner—for retirement income, a child's education or some other purpose—the investor might be forced to sell at a time when share prices are in a slump.

In addition to the rankings of best and worst funds, this year's report includes a special listing of "best-of-class" mutual funds based on a more detailed rating system that takes into account past performance, volatility and consistency over three years. The funds that score highest according to this approach are not always the ones that have earned the highest returns. Instead, they have tended to produce returns significantly above the average on a consistent basis in the recent past given the amount of risk they took with unitholders' money.

BellCharts president Rob Bell says the ratings are intended to assist investors in making their selections, but should only be used as a starting point. "Simply buying a fund solely because it has a high score is fraught with danger since there is no understanding of the nature of the investment," he says. Even top-rated funds, he adds, "will have their down periods." As investor's best strategy is often to accept those dips as inevitable "and ride them out or, even better, use them as buying opportunities."

Over the past 12 months, that is exactly what many Canadian mutual fund

## Maclean's Marketing Solutions Poll

Survey responses are based on telephone interviews between Oct. 16 and Oct. 26 with principal or joint financial decision-makers in 650 Canadian households with at least \$10,000 in savings. The figures given are considered accurate to within plus or minus 3.9 percentage points, 19 times out of 20. A total of 327 respondents were interviewed again after the Oct. 27 market drop to determine whether that event had altered their views. Results from those responses are considered accurate to within 5.3 percentage points, 18 times out of 20.

### Household ownership of mutual funds in Canada: 37%

Among households with more than \$10,000 in savings:

Atlantic provinces 50%

Quebec 53%

Ontario 64%

West 59%

National 60%



**Babin:**  
many people  
have unrealistic  
expectations

## Short-term investors may be forced to sell in a weak market

owners were doing. The year began with a sharp run-up in share prices on the TSX, but the fear of rising interest rates—which tend to depress corporate earnings and increase the attractiveness of low-risk fixed-income securities—kept stock market investors on edge for most of 1997. In April and again in August, major North American stock indexes drifted steadily downward, only to rebound quickly on both occasions and go on to establish new record highs. "People learned not to worry whenever the market dropped 10 per cent, because each time it bounced back again in three or four weeks," says Kim Babin, executive vice-president of Marketing Solutions, a financial services consulting firm based in Toronto.

That sentiment is clear in the results of an exclusive cross-Canada poll carried out for the magazine by Marketing Solutions. Telephone interviews were conducted between Oct. 16 and Oct. 26 with principal or joint decision-makers in a representative sample of 650 households with at least \$10,000 in savings. (Results are considered accurate to within 3.9 percentage points, 19 times out of 20.) Notably, 66 per cent of the

### Q: How satisfied are you with the funds you hold?

Very satisfied 55%

Somewhat satisfied 40%

Not very/Not at all satisfied 4%

## Maclean's BellCharts Rankings

### CANADIAN SMALL CAP

Funds that invest in small and midsize corporations (3 years: 43 funds; 5 years: 23 funds)

#### TOP 10 5-YEAR ANNUAL COMPOUND RETURNS

Ontario Small Cap Fund	37.4%
Millennium Invest Small Cap Fund	25.3
Blackwell Small Cap Fund	30.3
Bayview Equity Growth Fund	29.6
Quebec Advantage Canada	29.2
Multiple Opportunities Fund	27.6
Talent/Investment Small Cap Canadian Equity	27.6
20/20 RSP Advantage Equity	26.6
Highly Canadian Growth Company	26.7
Quebec Growth Fund Inc.	26.5

#### TOP 10 3-YEAR ANNUAL COMPOUND RETURNS

Bayview Capital Appreciation Fund	12
First Canadian Small Cap Fund	9.6
Investment Equity Fund IM	4.2
Canbridge Growth Fund	4.1
Canbridge Special Equity	10.4

#### TOP 10 RISK-ADJUSTED 5-YEAR ANNUAL RETURNS

Top Opportunity Fund	20.9
Robit Capital Growth Company	7.6
Blackwell Small Cap Fund	36.7
Quebec Growth Fund Inc.	0.2
Millennium Invest Small Cap Fund	6
Ontario Small Cap Fund	9.8
Bayview Equity Growth Fund	5.8
Quebec Advantage Canada	5.2
Talent/Investment Small Cap Canadian Equity	8.2
First Canadian Special Growth	4.9

#### TOP 10 3-YEAR RISK-ADJUSTED RETURNS

Bayview Capital Appreciation Fund	1.8
First Canadian Small Cap Fund	1.1
Canbridge Special Equity	-1.8
Investment Equity Fund IM	-1.8
Canbridge Growth Fund	-2.6

#### TOP 10 RISK-ADJUSTED 3-YEAR ANNUAL RETURNS

Multiple Opportunities Fund	46.29
Blackwell Small Cap Fund	26.4
Blackwell Equity Fund	36.7
Scotiabank Equity Growth Fund	77.4
Millennium Invest Small Cap Fund	38.3
Quebec Growth Fund Inc.	23.8
Canbridge Special Equity	32
Scotiabank Equity Growth Fund	23.7
Canbridge Growth Fund	22.1
Scotiabank Small Cap	30

#### TOP 10 3-YEAR RISK-ADJUSTED RETURNS

Ontario Small Cap Fund	12.3
Investment Equity Fund IM	12.1
Canbridge Special Equity	30.4
Bayview Small Cap Fund	9.9
Canbridge Growth Fund	9.8

### CANADIAN BOND

Funds that invest in bonds and other fixed-income securities (3 years: 103 funds; 5 years: 85 funds)

#### TOP 10 5-YEAR ANNUAL COMPOUND RETURNS

Atlantic Bond Fund	18.4%
Prudential Conservative Bond	15.2%
Atlantic Canadian High Yield Bond	15.2%
Bayview Canadian Income Fund	13.29%
Maxwell Income Fund	13.5%
Millennium Bond Fund	13.2%
Scotiabank Global Canadian Bond	13.1%
Green Line Canadian Bond Fund	14.70%
Optimum Obligations	14.3
E.I. Canadian Bond Fund	14.2
Scotiabank Bond Income Fund	14.17

#### TOP 10 3-YEAR ANNUAL COMPOUND RETURNS

Maxwell Global Diversified Bond	6.2
Global Conservative Income Fund	7.3
Trust-Canada Bond Fund	7.42
Templeton Canadian Bond Fund	7.18
Dynamic Income Fund	6.4

#### TOP 10 RISK-ADJUSTED 5-YEAR ANNUAL RETURNS

Atlantic Bond Fund	1.4
Bayview Canadian Income Fund	7.6
C.I. Canadian Bond Fund	6.65
Blackwell Bond Fund	6.8
Maxwell Income Fund	6.4
Scotiabank Global Canadian Bond	6.2
Green Line Canadian Bond Fund	6.10%
Cooperative Bond Income Fund	6.09%
Scotiabank Bond Income Fund	6.6

#### TOP 10 3-YEAR RISK-ADJUSTED RETURNS

Prudential Canadian Bond Fund	2
Green Line Bond Income Fund	1.6
Trust-Canada Bond Fund	1.4
First Canadian Bond Fund	1.3
Dynamic Income Fund	1

#### TOP 10 5-YEAR ANNUAL RETURNS

Atlantic Bond Fund	30.7%
Bayview Canadian Income Fund	15.54
Maxwell Bond Fund	16.07
Scotiabank Bond Fund	15.43
Maxwell Income Fund	15.08
Optimum Obligations	14.3
Scotiabank Global Canadian Bond	13.3
Green Line Canadian Bond Fund	13
Cooperative Bond Income Fund	12.82
Prudential, Royal & North Bond Fund	10.4

#### TOP 10 3-YEAR ANNUAL RETURNS

Maxwell Bond Fund	7
Optimum Income Fund	6.9
First Canadian Bond Fund	6.7
Bayview Canadian Bond Fund	6.2
Trust-Canada Bond Fund	6.7

# The flow of fresh money into funds has begun to slow

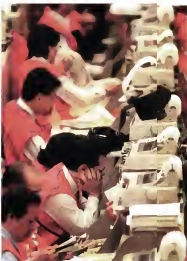
respondents said they had money invested in mutual funds. Broken down by region, fund ownership varied from a low of 50 per cent in the Atlantic provinces to a high of 64 per cent in Ontario.

By a wide margin, respondents who invest in mutual funds said they are pleased with their decision to do so. Fifty-five per cent said they are "very satisfied" with the funds they hold, while 40 per cent are "satisfied" (total 95 per cent). Only four per cent were "dissatisfied" to some degree. Similarly, 96 per cent said they are "very" or "somewhat confident" that mutual funds are the best investment for them right now. Asked how they chose the fund in which they have the largest amount of money invested, 47 per cent said they based their decision on the performance or reputation of the fund. The next largest group, 34 per cent, said they acted on the recommendation of a friend or financial adviser.

As it turned out, the poll was completed just before a sharp drop in Royal Bank stock prices triggered a wave of selling on North American stock markets in late October. To find out whether that event had shaken investors' confidence, the survey's organizers conducted a series of follow-up interviews with half of the original sample. Ninety-two per cent of the respondents were aware of the dramatic fall in stock values, yet the vast majority—64 per cent—continued to express confidence in mutual funds as their best investment.

Major to the point, 56 per cent of those interviewed after the Oct. 27 market drop said they had done nothing to change their investment mix and had not sought advice about whether they should do so. A quarter of the sample said they had talked to someone who normally advises them about their investments, a similar number said they had consulted a friend who is knowledgeable about the stock market. Yet in spite of the obvious concern on the part of many investors, there was no indication that fear or panic, in fact, 17 per cent could be said to have sold their funds. In fact, 17 per cent could be said to have sold their funds. In fact, 17 per cent could be said to have sold their funds.

Looked at one way, these results suggest that



Hong Kong investors are one yet another of the many who have sold their funds.

Canadian mutual fund investors have taken to heart one of the fundamental rules of financial planning: focus on long-term performance objectives and ignore day-to-day swings in share prices. Still, however, investors question whether investors are psychologically prepared for a prolonged and dramatic downturn. The points to research showing that more than half of all mutual fund holders in Canada did not invest in funds prior to 1980—and therefore have no firsthand experience of a bear market. What's more, they have been bombarded in recent years with advertisements trumpeting average returns of 20 or 30 per cent—sometimes more. "Remember, a lot of these people came into the market from GICs, searching for higher returns," Babin says. "I don't think they're necessarily looking at the first signs of trouble because GIC rates are still low. But you have to wonder how they're going to feel if we have a year in which equity returns are flat or negative."

For sure, the experience would undoubtedly cause a shock. Asked to predict the market's course over the next year, 78 per cent said they thought it would rise or remain at its current level, while only 24 per cent expected it would go down. Respondents were also asked to forecast the greatest percentage decline in the stock market that is likely to occur over the next 18 months. Only seven per cent were prepared for a decline of 30 per cent or more—a figure that history would suggest is well within the realm of possibility. Forty per cent do not expect a decline of 10 per cent or more.

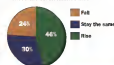
## Nation's Marketing Solutions Poll

### Percentage of respondents who reported doing one of the following after the October, 1997, market drop:



(Respondents were allowed multiple answers.)

## Over the next year, fund owners believe the stock market will:



something that would over the long term has to do to happen about once a year. After the close of trading last week, for example, the TSX 300 was down 781 points, or 11 per cent, from its record close of 7,210 on Oct. 7.

Of course, the longer the Asian crisis lasts, the more likely it is that investors will lower their expectations. Although the fund managers for December will be not be available until this week, there are signs that the flow of new money into mutual funds dropped sharply last month after a strong November. As of Nov. 30, total mutual fund assets in Canada stood at \$278 billion, up from \$212 billion at the start of 1997. Not only have contributions dropped off, industry representatives say, but what money is being invested is going into more conservative bond and balanced funds, rather than Canadian and foreign equities. "There still is a flow of money into this fund, but not much," says John Westhull, manager of Toronto Dominion Bank's Green Line Canadian Equity fund.

"There are storm clouds around a financial crisis, and Canadian's propensity to buy mutual funds in the short term is declining," adds Karl Schell, managing director of TD Asset Management Inc. "People are moving some of their assets to more safe investments, taking out some of their very significant equity stakes that they have earned over the last couple of years and rebalancing some of this back into fixed income investments."

In much the same way, many fund managers are rebalancing

## Maclean's Wealth Rankings

### CANADIAN BALANCED

Funds with mixed portfolios of stocks and bonds (3 years: 131 funds; 5 years: 106 funds)

#### TOP 10 3-YEAR ANNUAL COMPOUND RETURNS

Philly Canadian Asset Allocation	32.2%
Common Sense Asset Builder II	31.8
Common Sense Asset Builder V	31.8
Common Sense Asset Builder IV	31.3
Common Sense Asset Builder III	30.3
Bayport Balanced Fund	29.7
FMQ Investment Fund	30.9
FMQ Growth and Income Fund	29.4
Steele Strategic Income Plus Fund	30.3
Steele Balanced Growth Fund	30.1

#### TOP 10 5-YEAR RETURNS

McDonald Canada Plus Fund	3.4
AIM Canadian Balanced Fund	9.9
AIM Balanced Allocation Fund	9.9
AIM Growth & Income Fund	2.9
Cambridge Balanced Fund	2.8

#### TOP 10 3-YEAR ANNUAL RETURNS

IG Growth and Income Fund	3.2
Global Strategy Income Plus Fund	3.0
IG Private Balanced Fund	2.9
Common Sense Asset Builder V	2.8
Bayport Balanced Fund	2.7
Common Sense Asset Builder II	2.7
Common Sense Asset Builder I	2.7
Common Sense Asset Builder IV	2.7
Common Sense Asset Builder III	2.7
AIM Canadian Balanced Fund	2.7

#### TOP 10 5-YEAR RETURNS

AIM Canadian Balanced Fund	9.42
AIM Growth & Income Fund	9.42
AIM Balanced Allocation Fund	9.37
AIM Growth & Income Fund	9.36
Cambridge Balanced Fund	9.2

#### TOP 10 3-YEAR ANNUAL RETURNS

AIM Growth and Income Fund	3.2
Global Strategy Income Plus Fund	3.0
IG Private Balanced Fund	2.9
Common Sense Asset Builder V	2.8
Bayport Balanced Fund	2.7
Common Sense Asset Builder II	2.7
Common Sense Asset Builder I	2.7
Common Sense Asset Builder IV	2.7
Common Sense Asset Builder III	2.7
AIM Canadian Balanced Fund	2.7

#### TOP 10 5-YEAR RETURNS

AIM Canadian Balanced Fund	9.42
AIM Growth & Income Fund	9.42
AIM Balanced Allocation Fund	9.37
AIM Growth & Income Fund	9.36
Cambridge Balanced Fund	9.2

### U.S. EQUITY

Funds that invest in shares of U.S. companies (3 years: 81 funds; 5 years: 60 funds)

#### TOP 10 3-YEAR ANNUAL COMPOUND RETURNS

Global Manager U.S. Growth Fund (G.M.)	36.4%
AIM U.S. Equity Fund	34.7
AIM U.S. Equity Fund	34.7
AIM U.S. Equity Fund	34.7
AIM U.S. Equity Fund	34.7
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AIM U.S. Equity Fund	34.7

#### TOP 10 5-YEAR RETURNS

AIM U.S. Equity Fund	34.7
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#### TOP 10 5-YEAR RETURNS

AIM U.S. Equity Fund	34.7
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AIM U.S. Equity Fund	34.7
AIM U.S. Equity Fund	34.7
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#### TOP 10 5-YEAR RETURNS

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AIM U.S. Equity Fund	34.7

## This may be the year bonds outperform stocks

their portfolios to reduce their exposure to the battered economies of Southeast Asia. In Calgary, Bisset's Pym is taking away from overseas exporters and looking for companies whose financial results depend mainly on domestic or U.S. sales. "The theme has changed a little bit," he says. "Five years ago everybody was trying to find companies that exported or were multinational in nature to get money out of Canada because the situation here was so poor. Well, now it's almost the opposite. You want to find companies that have a strong domestic franchise—a Canadian firm, for example, that could potentially benefit from problems in Asia because their import costs are going to drop." On the other hand, Pym thinks companies such as The Seagram Company Ltd. of Montreal are in for a difficult year. "Seagram reports in U.S. dollars and that currency has been extremely strong, so any of the profits it earns outside the United States will be translated into fewer U.S. dollars."

With the overall outlook for stocks cloudy, Pym also advises tilting investments away from equities and towards bonds, which tend to be less volatile. Bond prices drop when interest rates go up, but few analysts expect that to happen anytime soon. On the markets last week, investors were betting that the U.S. Federal Reserve board will soon lower rates to compensate for an expected slowdown in economic growth. Another factor that makes bonds appear more attractive is the perceived threat of deflation. "If there was deflationary scare, probably the response would be to lower rates," says Pym. Bonds, he adds, "could provide double-digit returns in 1995. The upside potential is the same as it is for stocks, with less downside risk."

It sounds simple, but as always the

### Maclean's Marketing Solutions Poll

**Q. Where will you invest your 1997 RRSP contribution?**

**Mutual funds 77%**

**GICs 23%**

**20% Individual stocks**

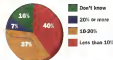
**13% Other**

individuals and foundations. "If you want to roll the dice, go ahead, but be aware that those 100-per-cent savings are extremely risky. You might think that bonds look conservative at 7%, but what happens if you're out of the market for six months and they happen to be the worst six months? What if people realize it or not, those sorts of after-the-fact moves can be extremely risky."

Risk, of course, is what every mutual fund investor would dearly love to avoid, and yet without it there is little chance of reward. The key is to manage the risk, to understand the potential hazards that lie ahead and balance them against one's financial objectives. In 1996, that means paying close attention to the turmoil in Asian markets while bearing in mind that the experts who failed to see a coming are unlikely to know in advance how the crisis will play out. Better to stick with a long-term investment strategy, one that allows mutual fund holders to sleep soundly now while quietly building a portfolio that will allow them to realize their dreams.

With JOHN SCROFIELD in Toronto

Over the next 10 years, fund owners say the greatest drop likely to occur in the stock market is:



### Maclean's BestCharts Rankings

**GLOBAL EQUITY** Funds that invest in companies anywhere in the world (3 years: 34 funds, 5 years: 53 funds)

#### TOP 10 3-YEAR ANNUAL COMPOUND RETURNS

Bisset Multinational Growth	27.1%
Best Strategy World Companies	26
Great International International Equity	22.9
WSP International Value Fund	18.3
WSP Growth Fund	18.0
Canada Link U.S. & International Equity	18.6
First Pacific Equity Fund	18.25
First Pacific International Portfolio Fund	18.08
Investment Growth Portfolio Fund	17.8
Centennial Foreign Equity Fund	17.3

#### TOP 10 5-YEAR ANNUAL COMPOUND RETURNS

First Canadian International Growth	4.5
Green Line International Equity	4.4
WSP International Growth Fund	3.3
Spectra United Global Growth	4.0
Centennial Global Fund	28.5

#### TOP 10 3-YEAR ANNUAL RETURNS

Bisset Multinational Growth	7.8
First Pacific Equity Fund	6
Global Strategy World Companies	6.7
WSP Growth Fund	5.1
WSP International Value Fund	5.89
Investment Growth Portfolio Fund	6.77
Investment Growth Portfolio Fund	6.83
Great International International Equity	4.6
First Pacific International Portfolio Fund	6.2
Canada Link U.S. & International Equity	6.1

#### TOP 10 5-YEAR ANNUAL RETURNS

Investment International Equity	-0.227
First Canadian International Growth	-0.223
WSP International Growth Fund	-0.6
Spectra United Global Growth	1.9
Centennial Global Fund	2.8

#### TOP 10 3-YEAR ANNUAL RETURNS

Templeton International Stock	26.45
Best World Growth	20.2
WSP Growth Fund	20.1
First Pacific International Portfolio Fund	18.2
Stewart Fund	16.6
Templeton Growth Fund Ltd.	17.9
Investment Growth Portfolio Fund	17.0
WSP International Equity	17.7
Canada Link U.S. & International Equity	17.1
Berrie Growth International Equity	15.5

#### TOP 10 5-YEAR ANNUAL RETURNS

Strategy Value Commonwealth	6.7
SAC International Growth Fund	6
Centennial Growth Fund	7.8
Spectra United Global Growth	6.9
Centennial Global Fund	6.1

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# Where are they now?

A critical look back at the top funds of 1996

Are "top fund" rankings a good way to choose mutual funds? Before rushing out to buy the best performing funds of 1997, it is worth taking a moment to consider how well the top funds in last year's rankings did.

Given the hot market of 1997, "flying well" has to be put in context. An investor who put \$10,000 into Equitable Life's Segregated Common Stock Fund, one of the top-rated Canadian equity funds in last year's Morningstar rankings, would have had \$11,200 on Dec. 31, for a return of 12.2 per cent. But the same amount invested in a basket of stocks representing the Toronto Stock Exchange 300 composite index would have done even better, gaining nearly 15 per cent. In other words, what would have been a good return in most years was actually rather ordinary.

Despite their well-managed managers, only 41 per cent of Canadian equity funds appeared on higher figures than the TSE 300 last year. The Canadian equity funds that made Morningstar's top 10 list for 1996, based on three-year annual compound returns, did better. Six had above-average performances, but two lost money.

Returns for last year's top bond and balanced funds were respectable. Eight of the bond funds finished above average, in did seven of the balanced funds. Five of the bond funds, in fact, held on to their top 10 status this year. However, some equity funds held up to a lesser extent. For instance, one of the 1996 top 10 returned more than 20 per cent, while half dipped into the red. Five of the top 10 funds based on above-average returns, so did all of the top 10 global funds of 1996, despite the Asian crisis.

Investment managers based their selections on the Morningstar rankings a year ago, would they have seen anything to hint about at RBCSP's senior manager partner? BellCharts, the firm that compiled the rankings data, color-coded what would have happened if, at the start of 1997, an investor had put \$10,000 into the first-ranked fund in each of the following categories: Canadian equity, Canadian bond, global equity and U.S. equity.

The "500,000 portfolio" included one major disappointment: While the top 1996 U.S. funds experienced growth of 20 per cent or more, Universal U.S. Emerging Growth scuttled in at only 4.7 per cent. Overall, however, the portfolio outperformed the average by 3.5 percentage points, worth an additional \$1,417.85.



Rob Givens  
vice president  
Allan Langer  
research

Other funds from last year's top 10 show just how risky it can be to make selections based on rankings alone. The Pacific Special Equity fund (since renamed the Lion Knowledge Industries Fund) ranked an encouraging eighth among Canadian small to mid-cap funds last week, with a three-year annual compound return of 26 per cent. But its return for 1997 was a dismal -23.4 per cent. On the other hand, anyone brave enough to choose Cambridge American Growth, which finished in the bottom five of U.S. equity funds last year with a three-year compound return of -19.4 per cent, would have been rewarded with a rise for 44 per cent.

Does this mean fund rankings are the financial equivalent of a dice game?—that is to follow but not worth serious consideration? One lesson consumers can take from looking at the performance of last year's funds is the futility of any system, says John Kozak, research director at the Investment Funds Institute of Canada. Rankings are worth considering, says Kozak—"anything that has some scientific basis is better than just taking potluck." But a whole host of other factors, such as personal investment goals and how well a fund matches them, must be considered as well.

Not should investors drop a fund just because it came in lower expectations? Investors, Kozak says, should look at performance over several years and try to understand the reasons why a fund may have ranked low in a given year.

As the overall results of the "500,000 portfolio" indicate, it is also wise to focus on the performance of an individual fund. "Maybe you had a couple that weren't stars," says Kozak, "but the rest are brilliant. You should be looking at your total portfolio." And compared with putting money into GICs at four per cent, even many of 1997's disappointing funds were still a pretty good investment.

## The \$40,000 portfolio

What is it? As at \$40,000 invested at the beginning of 1997 in each of four funds that finished highest in their categories in last year's Morningstar/BellCharts rankings\*

AG Advantage Fund (Can. equity)	\$51,326.78
BellCharts-Dee Disruptive (Can. bond)	\$31,980.70
Tenark Fund (Global equity)	\$11,599.61
Universal U.S. Emerging Growth (U.S. equity)	\$10,472.08

Total \$47,487.85

Over your return: 18.7%

Average return earned by all funds in those categories: 15.2%

\*Morningstar Data Research Group

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# Caution: rough road ahead

Three pros  
give frank  
advice on  
protecting  
your money

Richards (left)  
with Brodtkin  
and Kirzner:  
1998 could be  
a stormy year

THE MACKINAC  
MUTUAL FUND  
HIGHLIGHT

After three years of impressive gains for stock-based mutual funds, the investment outlook has suddenly turned cloudy. Mackinac's asked three seasoned professionals—Eric Kirzner, professor of finance at the University of Toronto; Wendy Brodtkin, manager of asset consulting at Towers Perrin; and Don Richards, president of the Toronto-based financial services consulting firm Marketing Solutions—to discuss the current state of the market and the best strategies for individual investors. Highlights:

**Mackinac:** In 1997, the average equity mutual fund in Canada gained 13.4 per cent. Should investors be celebrating?

**Kirzner:** I consider 13 per cent a great year. The average return over the past five 30-year returns was around 10 to 10.5 per cent. The problem, I think, is that investors have been mesmerized by the 16- or 19-per-cent average in the previous two years.

**Brodtkin:** The first thought I have is that Canadian equities have been outperformed over the past 10 years by the U.S. market and by bonds, so in that sense we haven't done well at all. Unfortunately, people don't realize they've been investing in a unique environment, and with the Asian crisis they've got to consider the implications of a doomsday environment. We've also got to remember that we're investing in a currency that's always going to be volatile in relation to the U.S. dollar, in a market dominated by cyclical industries. So our money is being held hostage in quite a dangerous environment.

**Mackinac:** Do you believe a disaster is looming?

**Brodtkin:** Well, doomsday starts with a D and so does deflation, so that's the lack. Frankly, I think a lot of investors don't even know what lead or return they earned in 1997. They've invested in mutual funds, which is better than trying to run their own portfolio for the most part, but beyond that they're simply choosing the fund company with the largest advertising budgets and thinking, "This must be a high quality company." They may not realize that their supposedly high-quality mutual fund actually earned three per cent.

**Richards:** I think it's a gross overstatement to talk about a doomsday environment. Sure, we're not in all likelihood going to see double-digit gains over the 16- or 18.5-per-cent average. We're looking at single-digit returns, and then we'll see a pullback in a year or two of three or four or negative returns. The big problem isn't the equity expectation, it's the readiness for a prolonged downturn. And the one absolutely consistent trap that Canadian investors fall into is the all-or-nothing mindset. They put everything into GICs or everything into bond funds or everything into equity, and so they become vulnerable to a roller coaster ride.

**Mackinac:** Looking back over 1997, we saw two significant market moves in March and August, followed by the Asian crisis in October. In spite of the wild moves, investors were in no hurry to sell their holdings.

**Brodtkin:** Yes, it's interesting that mutual fund contributions in November were higher than in October—we saw more money going in than going out. Most people seemed to be feeling that the worst had already happened, so there was no point in selling.

**Richards:** Here's our take on what happened a year ago: we asked investors what they would do if there was a 100-per-cent crash in the market, and only 12 per cent said they would sell compared with a quarter who said they would buy. When you look at what happened in March and August, there was a very similar pattern: new contributions dried up, but there was virtually nothing in terms of redemptions. And investors were rewarded for that, because four weeks later the market was back up. After Grey Monday in October, you had a lot of people saying not, "Should I sell?" or "Should I buy?" The real issue is that investors are conditioned for the market to go down but not to hit money down. And what's different this time is that rather than an immediate bounce-back, the market is experiencing significant volatility. So while November was a good month for mutual fund sales, December was very slow because there is a dramatic increase in the level of investor nervousness.

**Mackinac:** Is it time for investors to change strategy?

**Kirzner:** This is my biggest concern. In my opinion, the majority of investors should have done nothing in October and nothing in No-

vember. Assuming they had a proper portfolio balance—something like 20 per cent in treasury bills, 30 per cent in bonds and 50 per cent in equities—they shouldn't have changed their portfolio mix.

**Brodtkin:** That's assuming it's not in the first place, and I think we've got to do a little bit of soul-searching about what's right. We can't keep relying on conventional wisdom.

**Mackinac:** What about asymmetric returns? Should they be changing gears?

**Kirzner:** Studies indicate that there are very few people who can successfully time the market. If they think they can do it, he may guess. **Brodtkin:** I've got a big beef here with Eric and Don. First of all, talking about market timing, what about risk management? How many people actually know what their exposure is in these high-risk areas? How many know what their exposure is to the Canadian dollar when they know that well they're going to be spending six months a year in Florida?

**Kirzner:** That's different. That's part of getting your asset mix right.

**Brodtkin:** I'm saying the U.S. dollar is a benchmark for the ordinary investor. But the Canadian dollar will always be volatile relative to the U.S. dollar.

**Richards:** You're right—a lot of Canadians don't understand the extent to which they're exposed. But maybe that's not such a bad thing. If you take a look at where the average investor is today in terms of his residence and retirement, he's somewhere close to where he needs to be. And the only way people are going to come close to their expectations is to accept a greater degree of volatility and the higher returns that go with that. Of course, people are used to not doing anything until they're 70 and not enjoying the load of retirement that they want.

**Brodtkin:** I think it's important to talk about this, because the implication is that you take the higher risk to get the higher returns. Well, one of the reasons people invested in the Asian markets was for higher returns. If Asia is now going to have lower growth rates, you're obviously not going to invest there for the returns. On top of that, one of the big myths of diversification is that you invest in the Asian markets because they're out of sync with other markets, so it's a mix of balancing risks. Well, we've looked at correlations over different time frames going back to the 1970s, and there was a very high correlation between the smaller Asian markets and Canada. In other words, it doesn't lower your risk. So if you're out there for higher returns and you're not there for lower risk, why invest there in the first place?

**Kirzner:** Wendy, if your numbers are correct, that would imply the Far East is in a good diversification trap. But that doesn't negate the value of global diversification.

**Brodtkin:** The problem is the advice investors are getting. Financial planners try to get it all on one page and keep it snappy—"Invest here for higher returns." And someone has to address those implications.

**Kirzner:** It may be that people haven't done enough research into the returns in various countries, but the principle of global diversification to me is still valid. Even taking the Far East case, if an investor had the per cent of his portfolio in Far Eastern securities, and the total portfolio was \$100,000, he might have lost a couple thousand dollars in October and November, which is sad, but may well have been balanced out by something else. If someone had 20- or 30-per-cent exposure to the Far East, they were given very bad advice.

**Richards:** Wendy is saying that given global diversification and the growing interconnectiveness of markets, it's going to be tougher to escape the ups and downs, which is probably right. But as an investor, I have a choice. Do I say, OK, I don't want to face the prospect of losing 10

per cent in a given year, so I'm going to invest in a GIC at five per cent? For most people, that is not an alternative. **Brodin:** Maybe it's not losing 10 per cent in one year. Maybe we're going into an environment where investors will only be making five per cent a year, or less, over the longer term, as happened in the 1980s and it happened in Japan now. I'm not saying people should plan for a deflationary environment, but they should reassess the implications. And maybe they can't afford the implications.

**Maclean:** It sounds as though you think people should be following their investment strategies to a very black economic outlook. **Brodin:** That raises another issue, which is what you believe. Everyone has to rely on experts these days—there's just so much complex information. And in 1980, we were duped by the experts in two cases, Bre-X and the Asian markets. I'm talking about a scam. People knew what was happening in the Far East, they knew about local accounting practices they had, and they knew what kind of

life where short-term volatility is a threat. I'm going to change my mind. I do have concerns. I think the Asian flu is much more serious than some people are letting on. We may not be looking at negative returns in 1998 and 1999.

**Brodin:** The past three years in Japan have been negative. **Brodin:** The point is that the short-term outlook, the investor who is approaching retirement or some major expenditure, can't afford the volatility. But for people who will have 15 or 20 years to retirement, I have no particular reason to change my strategy. **Brodin:** Your scenario is for investors who are not leveraged, but I think there's a lot of individuals out there who are leveraged. If this crisis plays out, they're going to have to pay back money that they won't have. When I talk about risk management, I mean people should figure out what their future is and whether they can afford it. Our banks are still asking for loans for people who want to invest, which might not be a very good strategy if their returns from the market are lower than their interest payments.

**Richard:** Let me come back to Eric's point. I think it is possible he's right because everyone has to ignore their own ability to withstand short-term declines. But I would perhaps disagree with him about the estate. Historically, the market has been that you can afford to take risks until you're 60 or 65, but when you hit that magic age you become conservative. That was true when life-spans were shorter, but today if you've got a couple who are both age 65, half the time one of them is going to live to age 90. That has huge implications. **Korman:** It's a matter of degree. Recently I've seen some truly irresponsible recommendations from people who have suggested aggressive portfolios for elderly people.

**Richard:** Weirdly, you talk about investors' data being duped. I'm not sure. I agree that an overvalued market in Asia can be put in the category of a fraud like Bre-X.

**Brodin:** The similarities are that in both cases there was reliance on experts who should have known.

**Richard:** You could have said the same thing about the housing market in Ontario in the late 1980s. I just don't think it's fair to put that in the same category.

**Brodin:** The issue here is what are the investment standards and what is being done to explain the market? One bit of good news that comes out of this crisis is that we will see the death of some of the more shady Asian standards as they adopt Western standards.

**Richard:** The irony is that for all the doom on Asia, it's still a small percentage of the portfolio for the average Canadian. The real problem is in the emerging economy of the southeast Asian. The ability of North American companies to meet global expectations. **Maclean:** Another issue that's been on almost everyone's mind these days is management fees. Is the fund industry facing any pressure?

**Richard:** You're starting to see it. Of course, when you're making 15 or 20 per cent a year you can get two or three times as high a per cent here or one per cent there. But when you get into a declining market, you're going to find yourself focusing on management fees. Mutual funds are virtually the only asset class that's a product out there where there are less than 10 per cent transparency. I think that's going to change as investors get more educated and as you see more competition locally. Local providers are going to start competing on price.

**Maclean:** What's your hunch of where the market is going in 1998?

**Korman:** I believe we're going to have a poor year—low returns and possibly losses. But I qualify that by saying my short-term timing record is not particularly great.

**Richard:** I do think that for the foreseeable future we will be in for increasing volatility. One of the things that has to happen is a realignment of investor expectations, or people will be in for a rude shock.

**Brodin:** Don't talk about volatility. But I prefer to talk about the downside—how much could be lost. Remember at least 10 years ago the stocks that crashed in 1989 lost their value. My timing may be off, but I think we're in for a period of lower profits and lower equity returns. It'll be a real test for us for 1998, '99 and maybe beyond.

in all returns of five per cent or a diversified portfolio.

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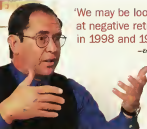
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## 'We may be looking at negative returns in 1998 and 1999'

—Eric Korman



had loans they had. And where was the International Monetary Fund? What about the investment managers and the brokers? This maintained dipping or going on even now, because IMF is the only large company that I know that has actually come with a currency swap-line as a result of the Far East crisis, and the day it was announced IMF's stock fell 10 per cent. Well, if the brokers react in that kind of manner to information they already had, I don't see how individual investors can form their own beliefs.

**Korman:** I don't want to be cavalier about Bre-X, which has major implications for asset holders and pension funds, but for individual investors the risk associated with individual positions should be minimal. A properly advised investor should not have been significantly hurt by the Bre-X scandal because he or she shouldn't have had more than a half of one per cent of their portfolio in Bre-X, and the same goes for the Far East.

**Maclean:** If it's right about a downside scenario, why not pull out of the market altogether?

**Richard:** Because the classic problem with market timing is that no one has done it to a consistent basis. When you ask investment experts to name a great stockpicker, no problem, John Templeton, Warren Buffett, Peter Lynch. In Canada, perhaps Bob Keene and Frank Merrell, until recently. But name one person who has consistently been able to call the market. On Wall Street, Joe Granville did it once and he rode on that for a number of years. Elmer Goresch did it once and she's still riding on it.

**Korman:** Here's how I would respond to Wendy's scenario, which I have some respect for. For long-term investors, I'm not going to change my balanced portfolio. However, in talking to active investors, and in particular people who are reaching a stage in their



# On the crest of a wave

BY JOHN SCHORFIELD

In a restaurant lounge just steps from the mall bar, the mutual fund menaphase runs to address a small gathering of the faithful. Jonathan Wellman, at 36 Canada's hottest fund manager, speaks with the conviction of a true believer. He leaped to preaching the good word about his firm, Burlington, Ont.-based AIC Ltd., at dozens of investment seminars he attends each year. But today's lunch-hour speech to the Burlington Christian Businessmen's Conference is different. Wellman, drawing on his master's degree in theology, discusses Scripture and God's guiding hand in the universe. Speaking in almost apocalyptic terms, he explains how his long-term approach to investing is based on his belief in a creator who drives the progress of history. The room and personally between ages of coffee, and applaud warmly when Wellman sits down. "There's no other company with as many funds at the top right now," says one investor, Burlington financial adviser Ken Hoyer. "I'm wonder if God is blessing them."

Investors certainly are. Attracted by the consistently high returns on some AIC funds in recent years, Canadians have been pumping money into the firm at the rate of \$15 million a day. Under the guiding hand of Michael Lee-Chai, chairman and former head of AIC's assets under management, have exploded from \$307 million at the end of 1992 to \$7.3 billion today. In the process, Wellman, the lead manager of the company's top performing Advantage, Advantage II and Diversified Canada funds, has become a hero to thousands of investors who dream of a golden retirement. Last month, an industry panel named him the 1997 fund manager of the year. "He freely claims near omniscience by the way," says 60-year-old John Fawcett, an AIC unit holder from Ajax, Ont.

At the same time, AIC's runaway success has raised a few red flags. Critics take aim at the company's practice of investing in big chunks of a relatively small number of companies, suggesting that AIC's buying spree in themselves has helped to bid up the value of its portfolios. Other analysts warn that the company's heavy exposure to a narrow set of all the Canadian economy—financial services—means that its funds would likely be hit harder than most if interest rates rise or the stock market suffers a prolonged slump.

The firm has also come under fire for higher-than-average management expense ratios on some funds. The MER represents the percentage of a fund's assets that go to paying management fees and other expenses. According to Portfolio Analytics Ltd., a mutual fund information service, the Advantage II fund has a management expense ratio of 1.71 per cent, compared with a median of 1.2 per cent for Canadian equity funds in a group. Overall, says one industry insider, "AIC is probably the company that sparks the most disagreement and controversy within the fund business."

The loudest alarm was sounded in a report last July by Elisabeth Tuck, an analyst with RBC Dominion Securities Inc. in Toronto. Tuck

cautioned investors to rebalance AIC's two largest funds, Advantage and Advantage II, to no more than 10 per cent of their portfolios because of their relatively low level of the riskiness. She also warned that, in a drastic market downturn, AIC investors wishing to redeem their funds might face delays if AIC were forced to sell shares to meet redemptions. Tuck argued, it could take the company as many as 100 trading days to unload some of its large holdings based on the normal daily trading volume in those stocks. Any delay, Tuck said, and AIC might find that its own selling was driving down the price of its holdings.

Other analysts dismiss Tuck's claims. "I think those [Advantage] funds have been beaten up for a lot of bad reasons," says Peter Loach of Midland Walwyn Capital Inc. in Toronto. John Platt, an analyst with Nestor Berni Inc., says AIC has not played a big part in driving up the price of its holdings because it usually buys large blocks of stock at a negotiated price—minimizing the impact on the market. He adds that Wellman has recently been spreading the risk by investing in companies outside the financial services area. Among the top 10 holdings in Advantage II, for example, are CanWest Global Communications and International Paper (Thomson Corp.).

But even AIC's supporters emphasize that its Advantage funds are riskier than most Canadian equity funds because of their focus on financial services. "While that approach has paid off handsomely, it will have its periods of underperformance—which at times may be extreme," says Platt.

Together, Advantage and Advantage II account for 66 per cent of the company's \$7.3 billion in assets. The fear is that unsophisticated investors, seduced by the funds' stellar returns since 1993, will rush into them without understanding their potential volatility in a dramatic market drop, that could leave less savvy players considerably poorer—at least in the short run. Wellman himself is well aware of the danger. "People are driven by emotion," he says. "We constantly say that the investors who really do us lower than are people who keep their heads and just ride through the storm."

Right now, AIC is riding a wave of success. The Advantage fund, 60 per cent of which is invested in financial services, returned 43.3 per cent in 1997 compared with an average of 13.6 per cent for Canadian equity funds. Advantage II, launched in October, 1996, returned 41.3 per cent last year. The Diversified Canada fund, 46 per cent of which is invested in financial services, returned 32.1 per cent. Wellman argues that changing demographics make AIC's focus on the financial sector argued but over the long haul, its members of the postwar baby boom approach retirement, he says, they will increasingly save for money rather than spend it. At the same time, he explains that his fueled growth in the financial services sector.

For all that, AIC's funds have seen dark days. The Advantage fund

## WATCH IT GROW

The value of \$10,000 invested in the AIC Advantage Fund since its introduction on Dec. 12, 1993



Wellman, '97 fund manager of the year  
invest money in  
style difference

Phenomenal returns have made AIC an industry star—and the target of criticism

lost 30% (recently a value in the mid- to mid-180s and did not fully recover for 44 months), according to figures compiled by Fidelity Investments Corp., a Windsor, Ont.-based investment firm. "You should find the worst time in the last 10-year track record is under water, which is stunning," says FirstMonroe president Dai Young. During the most recent bear market, in 2000 Advantage was the fourth worst performing fund in Canada. And when interest rates spiked between February and June of 1994, Advantage lost about 20 percent of its value, compared with a 10-per-cent drop for the Toronto Stock Exchange 300 composite index.

William says he is unfazed by short-term fluctuations in the market. "Our preoccupation is not with the day to day," he told 250 people at a Toronto investment seminar last October, days after the Asian financial crisis sent stock prices reeling. "You've got to have an investment philosophy that will anchor you through the ups and downs of the marketplace." It is exactly that philosophy, William contends, that has made AIC the best of the best. "I think a lot of the concern comes out of the fact that we invest very carefully and we're not more than other people. It's not an overstatement."

Unlike some money managers, who take their cues from charts that supposedly forecast the market's ups and downs, William says that AIC targets "broader economic factors"—growth companies in industries with long-term growth potential. The hallmarks of those companies include "strong free cash flow" and high return on equity. Thus it finds such firms, AIC rarely loses them for the stated reason: in most of its funds, investments last more than five per cent of the portfolio's assets, he says. William's low-and-slow strategy might lead investors to expect lower management fees, but he says that the abnormally high management expense ratios on some AIC funds still represent good value because of their generous, long-term returns. "We think we have a premium product that is very different from our competitors... so we can charge a bit more."

William's working funds have the best performance. He says he studied 143 companies last year, searching for new prospects and checking up on old ones. And when he is ready to buy, he does not hesitate to plunge in. According to most of trading reports, AIC owns about 20 per cent of Maclean's Financial Corp., about 19 per cent of Trimark Financial Corp., and large stakes in other companies such as Newcourt Credit Group Inc. of Toronto. Because securities laws restrict funds from owning more than 10 per cent of a single company, AIC's decision to invest in Advantage II fund in 1996 was partly because it was a bid to bolster the company's stake in several companies. "If we could, we'd own 100 per cent," says William.

AIC says the impetus behind its approach was U.S. billionaire Warren Buffett. Labeled as one of the world's most successful investors, Buffett has made billions of dollars for shareholders in his Omaha, Neb.-based holding company, Berkshire Hathaway Inc., by buying and keeping large positions in such household names as Coca-Cola, American Express, the Washington Post Co. and Capital Cities/ABC Inc. As a manager, he has never spread his bets in a mutual fund company. "It just didn't catch his attention," Lee-Chin suggests.

Despite Buffett's wealthy, his investment style has found little favor with most professional money managers, says Robert Hagstrom, a Waive, Fla.-based fund manager and author of the 1991 best-seller *The Warren Buffett Way*. The reason, says Hagstrom, is that most investors live in fear that investors will fire as soon as their funds lose money. To reduce that risk, they limit their portfolios



## Canadian investors are pouring \$15million a day into AIC funds

with anywhere from 50 to 100 stocks and share them constant by "Warren Buffett has often said that diversification is nothing more than protecting the manager from having a bad day," says Hagstrom. It also saves fund managers from going to the trouble of getting to know their companies. "To make large bets in companies," says Hagstrom, "you have to have an affinity with them that gives you the courage of your convictions. If the market moves against you, you know it's just a market reaction—there's nothing wrong with your company."

Like Buffett, Lee-Chin has not been shy about making big bets. It is his nature, says Mario Frankovich, one of the original founders of Kitchener, Ont.-based Advantage Investment Counsel Ltd., the fledgling company that Lee-Chin, a former fund dealer with Royal Capital Planners Ltd. in Kitchener, Ont., bought for \$250,000 in 1987. The private firm, now 65 per cent owned by Lee-Chin—the most in split among William, vice-president Neil Mandach and a handful of other executives—did not have an estimated \$200 million. Despite selling Lee-Chin in 1988 to secure his proceeds from the sale, Frankovich says he remains that "Mike is such a visionary person that he will always take the bold position—which will inevitably lead to controversy," says Frankovich, now the president of Burlington-based financial Corp., a financial services holding company in Hamilton.

Lee-Chin remembers being struck by Buffett's philosophy in 1980, when he first read about it in the book *The Money Game*. A native of Jamaica who came to Canada in 1970 to study engineering at Hamilton's McMaster University, Lee-Chin became more and more of a high-flying salesman than a money manager. As a branch manager for Royal Capital Planners, he had persuaded his persuasive powers into a 68-million fortune. He also encouraged his clients, most of whom were doctors, to borrow money to invest. "AIC's retail arm, now known as the Berkshire Investment Group—its name offers suggest an attempt to trade on the reputation of Buffett's Berkshire Hathaway—also has a history of urging clients to borrow to finance their investments, a practice called leverage." "We promote it where the situation warrants," Lee-Chin says.

Like other wheeler and dealers, Lee-Chin enjoyed his prosperity to the fullest, sporting \$1,000 suits, expensive watches and a collection of five cars that included a Rolls-Royce and a Ferrari. But it was

at a lively 1983 conference in Monte Carlo sponsored by Maclean's Financial that Lee-Chin stumbled as his biggest money-maker yet. Over 2000 people were in attendance, and his Toronto broker, Ron Gaudin, began debating which was the better investment: a Maclean's fund or MacMaster's stock. Lee-Chin argued for the former; but was persuaded otherwise. Monte Carlo, he borrowed \$300,000 to buy one per cent of the fund company.

It was three years later that Frankovich, an old weightlifting buddy from McMaster, approached Lee-Chin with a proposal. The Advantage fund's assets had stalled at about \$800,000, and Frankovich and his four partners were looking to drum up sales. Lee-Chin went one better and offered to buy control of AIC. "It was not an easy sell to my partners," Frankovich recalls. "It was very scary." Two members of the group looked at the idea of a salesman having the ultimate say over investment decisions. In the end, however, the associates voted 3 to 2 in favor of the transaction.

Conflict erupted almost immediately. The new owner was determined to realize his vision for Advantage, a mutual fund made up largely of fund company stocks. Ron Roe, previously a portfolio manager for Dominion Life in Kitchener, opposed tying the fund's fortunes to one particular sector. Frankovich tried to mediate the dispute, but finally gave up in frustration and left the firm. "After a while, I just got tired of the ego battles," says Frankovich. "Mike is the stereotypical bull headed

entrepreneur—Nothing stands in my way, nothing stops me." Lee-Chin says the battle with Roe ended in 1989 when the former is summer was "decided to hang out on his own shingle." Roe is now a partner in a Kitchener financial planning firm.

Overcoming 1980, the merger with McMaster's funds, Lee-Chin struck up a conversation with his outgoing 20-year-old assistant from the Burlington office of Deloitte, Haskin & Sells (now Deloitte & Touche). The friendship that blossomed between Lee-Chin and Jonathan William, formerly a weekend salesman, forged one of the mutual fund industry's oddest couples: the devout Christian money manager and the flamboyant fund mogul.

Lee-Chin, a divorced father of three, was aged 33 to 38, lives in a large home on the Niagara Escarpment near Hamilton that once belonged to Michael MacGrudder, founder of transportation giant Ladair Inc. It bears little resemblance to the small house in Port Antonio, Jamaica, where the eldest son of a sewing machine salesman grew up with his nine brothers and sisters. "The fortunate that I can afford to indulge in whatever passion I may have," says Lee-Chin, who now owns two Ferraris. "That what is fortunate as my grandfather I have three sons, and I have to set an example for them."

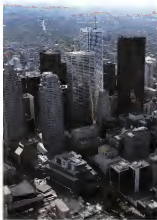
In contrast to Lee-Chin, William says he strives to maintain a modest lifestyle despite his wealth, although he recently splurged and bought a Porsche Carrera to go with the family's GMC Suburban. The son of a chiropractor, William lives in a four-bedroom brick house with his wife, Heidi, whom he also met at the McMaster group, their three-year-old daughter and two sons, aged 11. He attends a small Baptist church near Cambridge, Ont., and teaches adult Sunday school each week. "I don't want to be carried out dead, but I get pretty," he says. "This industry is full of a lot of greedy people."

William and Lee-Chin say their attention for each other transcends differences in taste. "Jonathan's been integral to the success of the company," says Lee-Chin. "It's brilliant—very technical, very thorough. I love that fellow." Declares William: "I've been able to share with AIC. But I wouldn't have been able to do that if Mike hadn't put the trust and confidence in me in the first place."

The breakneck pace of AIC's expansion is evident at its Burlington headquarters, a low-slung building with gold-tinted glass that the firm moved into last May. The executive wing, pink marble floors are still covered with paper, and construction workers are hard at work completing an extensive renovation of the building, which once housed Scotia Inc.'s research division. The company's 335 head of employees, up from 35 two years ago, are already running out of parking space. "We just haven't stopped hiring," says Mandach. "It's a very large and busy place." William and Lee-Chin who runs two of AIC's funds as well as serving as vice-president.

Intensely, AIC's recent success has spawned imitators. Last August, the company filed suit against Infinity Funds Management Inc. of Toronto, alleging that the company has deliberately copied AIC's investment strategy. Among others, the lawsuit names David Singh, chief executive officer of Infinity's founding company, Fortitude Financial Management Ltd. and Richard Hines, former senior vice-president and a former AIC executive. Lee-Chin says the similarities between some AIC and Infinity funds are too close to be coincidental. "Not only did they try to clone our portfolio, but also our marketing materials."

Chaffin calls the lawsuit "silly" and points out that AIC itself copies Buffett's investment philosophy. He says the lawsuit is likely motivated in part by Lee-Chin's resentment over Buffett's decision to make a name for himself as a money manager instead of a fund manager, he suggests. "It's totally irrational." Even so, Chaffin calls his former colleague "an amazing guy." He also defends William's practice of investing heavily in other mutual fund companies. "These are not some volatile, blow-apart sector funds," Chaffin says. "They're positioning the manager to collect management fees off these successful buy-inners who are lining up to pour money into mutual funds." The language is less than sunny, but when even AIC's enemies are praising the firm, it must surely be on the side of the angels—at least until the next downturn. □



Bay Street bank towers, making a big bet on the financial services sector

# Point-and-click portfolios

BY SARAH SCOTT

I began, like many on an odyssey, with one seemingly simple wish. All Tracey Wood wanted was a chance to work at home in Georgetown, Ont., a bedroom community 45 minutes from Toronto, and be close to her two young children. No longer long computers downtown and 15-hour work days as a law clerk. No more newspapered struggles to fit the kids into a hectic schedule. So she and husband Duane, a self-proclaimed derivatives analyst, put their heads together and cooked up an at-home business idea that now looks more visionary and daring than even they imagined: a mutual fund in Internet space on the Internet. From personal experience, 38-year-old Tracey knew how frustrating it was to find information about mutual funds to help for the couple's retirement portfolio. And Duane, although he had no formal computer training, could see the dazzling possibilities of the Internet as an inexpensive way to communicate large amounts of information about investing.

Their plan was, in essence, impossible. In the three years since the Woods launched their Web site, The Fund Library, it has grown to become Canada's largest Internet site for mutual fund information, drawing more than six million pages viewed per month by an estimated 200,000 people. The Woods have a portfolio staff of 23, revenue from mutual fund sponsors totaling \$1 million per year, and big plans for the future. Less than a year ago, the couple moved their home office to suburban Richmond Hill. Currently in corporate offices in west Toronto, the Woods are now looking for greater digs in the heart of the financial industry. None of which has brought the cozy life Tracey imagined when she quit her job as a law clerk, but she certainly isn't complaining. "It's been wonderful, the most amazing five years of my life."

The Woods, who all soon found themselves wearing scuff-free shoes to the first hot chocolate stand at a large ice rink. In the three years the Fund Library has been operating, mutual fund assets in Canada have doubled to \$287 billion. With more than 1,500 funds to choose from, keeping tabs on the performance of a typical portfolio can be an onerous task. Fortunately, the Internet has turned out to be admirably suited to the needs of a discerning group of investors who want to take charge of their own retirement planning. At

the Fund Library, unit-holders can find a storehouse of up-to-the-minute information about almost every fund in Canada, along with sophisticated tools to estimate the performance of mutual funds and compare them with others in the marketplace. Investors can call up customized reports on their own mutual fund portfolios and use the site to find a financial adviser or explore links to other Web sites and online chat groups of fellow investors.

Fund companies, all striving for new customers, have duly taken note. Thirty-three of them, representing 96 per cent of Canada's mutual fund assets, now pay monthly fees of up to \$5,000 each as designated sponsors of the Fund Library. So far, they are responding to a small fraction of fund investors, a survey last March by Toronto-based Marketing Solutions suggested that less than 30 per cent of fund holders use the Internet to seek out information about their investments. But the ones that do surf the Web have much in common. According to a survey last summer of Fund Library users, the 43-year-old man with a post-secondary degree who has more than \$50,000 invested in mutual funds, it is, as Tracey Wood suggests, a "bonafide" target audience.

Still, it is a fledgling field in Canada. According to industry analysts, the Internet attracted only about 65 million views of Canadian advertising revenue in 1996, says John Chapple, president of the Internet Advertising Bureau of Canada, a new industry association. But those revenues could grow exponentially if Canada follows the lead of the United States, where Web advertising revenues jumped to \$600 million in the last six months of 1997, more than double the amount in the same period a year earlier.

The potential for continued growth is now luring some track-powered competitors into an arena first the Fund Library once called its own. Last October alone saw the launch of three rival sites. The Globe and Mail of Toronto, after trying unsuccessfully to buy the Fund Library, set up its own site, GLOBEfund, to capitalize on the newspaper's in-house wealth of business information. Investors can search GLOBEfund for published articles and backgrounds and profiles on the funds and use tools to analyze and chart funds that interest them. The site's operators say it attracted more than 200,000 visitors in its first



The Woods: 33 fund companies have signed up to sponsor the Web site

two months of operation, "exceeding our hopes, let alone our expectations," says Lily Gibson, vice-president and general manager of Globe Information Services, the newspaper's electronic arm. She has already found two major banks to sponsor the site and is waiting for more.

On the day after the Globe launched its site, the Quicken Financial Network was set up by Rogers Communications Inc., owner of *Maclean's*, and Invest Canada Ltd., a leading purveyor of personal finance software. Quicken is designed as a comprehensive source of information on personal finance—from mutual funds and stocks and bonds, to loan and foreign exchange rates. It combines news from such sources as *Maclean's* and *Canadian Business* magazines with a variety of online calculations to compare loans and make plans to get out of debt. It cost "millions" of dollars to set up, general manager Peter O'Brien says, but with six advertisers signed up so far and 204,000 pages viewed last December, the site expects to turn a profit by its second year.

The third new competitor, *iMoney*, similarly bills itself as a "one-stop shopping" site where investors can not only learn about the full range of financial services but shop for them as well. The site can even function as a personalized news service, churning out stories that could affect an individual's investment portfolio. But since its launch in October, *iMoney* has been hit by technical difficulties. "For Internet to stay because we've been bombarded with interest," said the site's chief technology officer, Michael Lee. The owners—the site's own employees plus Bayshore Capital, a Toronto-based venture capital firm—hope to recoup their investment by paying financial institutions to pop up each time visitors use the site to make purchases. Fifteen institutions have signed up so far.

Tracey and Duane Wood profess themselves unfazed by the new competition. With almost a three-year lead over their rivals, they have established their site as a leading source of mutual fund information on the Net. And unlike their competitors, the Woods have already overcome a host of growing pains, expanding in step with the needs of their clients. In fact, their home business took its first big baby steps in the wake of a loss at Web sites. In the summer of 1994, Tracey had met with a group of the most advisers who were looking to satisfy their clients' demands for stock

## The Woods's revenues now top \$1 million a year

market information by fax. A light turned on in Tracey's head when someone mentioned mutual funds. Why not, she wondered, set up a low-cost mutual information service about mutual funds?

After a few weeks of discussion, they acted. In early November of 1994, they sent their proposal to 20 mutual fund companies. To their astonishment, 11 said yes. There was a huge task ahead—they had promised to launch the new service in January, and the sales reps they would have to beg thousands of dollars worth of equipment and learn how to use it. But they soon faced an even bigger problem: they could not get enough telephone lines into their little house, or any other location in Georgetown. With five weeks to go, the Woods had to rent out their family home, find another one closer to Toronto that could handle 22 telephone lines, and find a way for three-year-old Michael and his seven-month-old baby sister, Madison, to be completely invisible but we did it," says Tracey.

Yet just as the Woods were launching their fax service, Aluma Investment Services Inc. of Toronto was busy establishing its own Web site, the first of its kind in Canada. Dwayne was amazed by how simple and intuitive a tool it was. And online, says a bit service, it was a cheap way to put out information where there was no need to set up real estate or expensive one-to-one infrastructure.

So the pair switched gears. Dwayne took time off from his regular job, bought some computer books and plunged into the task of setting up what became the Fund Library. The couple spent \$5,000 on computer equipment and saved money by doing the programming themselves. "I guess I'm not a self-starter," said Dwayne. By the time they launched the site in April 1995, the couple was working 18-hour days—scarcely leaving enough time for the kids. They decided to hire help, rent office space and make the company bigger.

Additional obstacles soon arose. Their initial clients, a dozen mutual funds, were skeptical about the Internet. "They just didn't get it," said Tracey. The Woods spent the rest of the year trying to wrap up their low-cost mutual service without spending on advertising. Simultaneously, they struggled to get the Fund Library established, hanging on in the hope that Internet users would begin looking at their site. By June of 1996, surfers collectively clicked out 250,000 pages on their Web site. The number swelled to 1.2 million in July when the Woods launched an updated version of the Fund Library and by last winter, according to Tracey, climbed to more than five million pages per month.

Having established a following, the Woods now face a more pro-

saic challenge common to all businesses—generating more revenue. The Woods do not want to let their mutual fund sponsors buy overt advertising for fear of losing their reputation as an unbiased source of information, so they are looking to banks and telephone and computer companies to buy space. It is a tough sell, because many companies do not have a separate budget for something as modest as Internet advertising. "Everyone wants a deal because they're just trying it out," said Tracey.



Nor does it help that GLOBEland and Quicken are out hunting for advertisers from across the financial spectrum, including mutual funds. Which raises a question: will there be enough advertising and sponsorship money to support them all? It is not clear yet. Aluma, for instance, is only interested in sponsoring the biggest site, which, at the moment means the Fund Library. "It's going to be a hard job for someone else to come in and catch up," said Aluma's communications director, Caroline Doyle. Others are not so sure. "There's room in the marketplace for all of them," said Edward Boyd, director of new media technologies at Young & Rubicam Canada, one of Canada's largest ad agencies. Given the "thirst for knowledge and a hunger for better understanding" of the mutual fund business, he says "anyone putting content out and talking to people in this category is visionary." The Internet, Boyd adds, offers "an amazing way to speak to prospects who are already interested" in the product.

The Web sites' backers are all talking about the "phenomenal" traffic on their pages and, not surprisingly, sound confident about their chances of living advertising and sponsorship. "The more the merrier as far as I'm concerned," boasts Quicken's CEO, Ken Acle. The Fund Library "we've seen no diminishing of our traffic" since GLOBEland and Quicken joined the fray, says Tracey Wood. "In fact, November was our strongest month ever. Either they're getting new clients, or people are using both." Not that Tracey is getting the domestic tranquility she once coveted. She and Dwayne have managed to squeeze two three-hour blocks of time for their children each day, but there is always lots of work to do when the kids are tucked in each night. "My mind doesn't stop working on this," said Tracey. "Ever." □



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# Peter C. Newman

## Canada cannot avoid the fallout from Asia

**T**he unabated free fall of Southeast Asia's major economies has created a tsunami of damaging economic tides, about to wash up on our shores. We are no more safe from the consequences of the reassessment of the region's once-powerful economic "Tigers," than Eastern Canada has been immune from earlier tides usually reserved for the impassable reaches of the farthest Arctic wastes.

"What we've got developing here," I was told in an interview with billionaire Robert Friedland recently, while in Singapore, just as the crisis was gathering speed, "is a disaster for the Canadian worker. They don't really understand what's coming at them. Nobody will be able to compete with Thailand or Taiwan, and particularly the South

Koreans, who are going to be incredibly re-opened again year. There's only one out of the current crisis is to push their staff out the door at any price—and they can produce almost everything cheaper than anybody else. Just think of the impact of \$3,000 Hyundai hitting the Canadian car market. Already, Taiwan has shown an 80-percent increase in the export of electronics and computers to North America. There's a lot more to follow."

Friedland, the Vancouver stock promoter who is responsible for bringing to market the \$7-billion-plus nickel, copper and cobalt discovery at Vanoy's Bay in northeastern Labrador, noted in Singapore shortly after making an estimated \$500 million for his Labrador stake, which he sold to Inco. His current mining activities are spread throughout that part of Southeast Asia suffering its most acute financial crisis since the Second World War.

"We appear to be in a period of competitive devaluations of currencies amongst these Tiger economies," he says. "They must report their way out of the trouble they're in. They have no other choice. Too long, their currencies have been behind the American dollar, and the strength of that dollar has meant they were becoming less and less competitive. Also, too many people have built too much export capacity around the same things, making more electronic products and automobiles than can possibly be absorbed."

"Despite the present problems, the productive capacities of economies like South Korea, Taiwan and China are so fantastic, their labor rates so low, the manufacturing productivity so high, and the willingness of their workers to work hard for low wages so well established that we're heading into a long period when everything produced in Asia will not be merely competitive, but radically—and I mean radically—cheaper than anywhere else. By the summer of this year, you're going to see every conceivable product landing in North America at unacceptably low prices."

Friedland admits that there continues to be a lag between the

harsh reality of the situation and any understanding of what this phenomenon is going to mean, since its fallout from Canada. What he fears most is that the impact of the massive influx of cheap foreign goods will reverse the chance, especially in the U.S. Senate, for the creation of protectionist barriers, which he describes as "the same paradigm that the world faced in 1930," just prior to the Great Depression.

"The ultimate tragedy now is no longer inflation," he insists. "The real problem is how we prevent an ungrazed world economy, faced with the current of Asian crisis, from triggering a round of other deleterious accidents. Once people understand that deflation is a much more scary phenomenon—because it means things are declining in value—you could have a reaction that would increase the value of hard assets, such as gold, copper and other metals."

"But for the time being, the world is clearly in a rush towards liquidity, and that means being measured against American dollars and U.S. Treasury bills. The value of everything on the planet is heading down against the American currency. That means not only the worth of the Asian economies is evaporating, but the value of the Canadian economy is dropping, the value of Australia is going down and so on—all except England, where the pound sterling remains a strong, well-managed currency."

Friedland's speculation about revived values for gold and copper may be useful thinking. Shown in indicating liabilities, which specifications in gold and copper prospects, have lost more than 80 percent in value over the past 12 months. His stake in Inco is similarly depressed, as that company struggles with sharply reduced nickel prices and the huge cost of bringing the Vanoy's Bay deposit into production. (The value of Inco stock has dropped from a 2007 high of \$59 to \$2.30 at the end of trading last week.)

What Friedland conveys—and last week's continued hammering of Asian currencies and stock prices only makes his case stronger—is not merely a qualitative shift in the price levels of Asian exports to North America, but something much more serious. "The South Korean won and most other Asian currencies have lost more than half their value. As they keep dropping, these countries will not be able to afford North American products, not our pulp or paper, wood or coal, as Canada will get dragged down in the process. Let's see the Canadian dollar at 50 cents."

Despite his short-term gloom, Friedland predicts some long-term benefits from the Asian decline. "This crisis will trigger a number of gut-wrenching adjustments, but it will also sow the seeds of the region's economic rebirth," he foresees. "The Asian economies will eventually come back with an incredible vengeance, much more efficient and much less corrupt—leaner and meaner than ever."

## Successful stock promoter Robert Friedland says the Southeast Asian crisis will produce a 'disaster for the Canadian worker'

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## Once more with feeling

Soon after introducing his company's first computer mouse in 1983, Microsoft chairman Bill Gates discovered a hard truth no one wanted it. Consumers were so indifferent to this electronic rodent that the software firm was forced to stockpile thousands of them in anticipation of happier days. Today, the mouse has become ubiquitous, but the basic product has not changed much—until now. This year, several companies plan to unleash radically new devices they say will stand North America's \$1.5-billion mouse market on its head.

One such model is expected to sit atop shelves this spring. The so-called FEEEL Mouse allows computer users to "feel" as well as see where the pointer is going on the screen. Developed by Immersion Corp. of San Jose, Calif., the unit sits on a special pad with a ball-in-matrix maker that generates resistance. As the arrow moves onto a graphic, for instance, the user feels a slight bump, which should allow operators to manipulate the mouse more quickly and accurately. Users will also be able to scroll through documents or go across pages by locking the mouse into position and pushing down on it with the desired direction. Immersion Corp.'s 38-year-old co-president, Louis Rosenberg, says the product is a natural extension of the graphics and audio capabilities that are now standard features on personal computers. "Our goal is to make the next five years out of the market," says Rosenberg. "But, ultimately, we're looking for a lot more."

The idea for the FEEEL Mouse came to Rosenberg in 1992, when he was working on his PhD in mechanical engineering at Stanford University in Palo Alto, Calif. The technology, known as force-feedback, has been around for almost 20 years, but until recently was only used for applications such as flight simulators.

At Stanford, Rosenberg used to pull people off the street and persuade them to try the tactile mouse. "People loved it," he recalls. "The New York City-born entrepreneur de-



Microsoft's new joystick, FEEEL Mouse (below) a tactile sense



Axis Dynamic Mouse (left), TrackMan Marble FX, retrofitting a ubiquitous device

ed that if the technology—which at the time cost tens of thousands of dollars—could be made affordable, he had a winner. By reengineering the device, he has shaved the price to \$300, and expects that to drop to below \$145 by the end of the year. Still, Lee Schinger, a technology analyst with San Jose-based Ontarget Inc., says that still may not be low enough for mass-market appeal. "People won't jump on the bandwagon immediately," he says. "But a tactile sense

will allow software developers to move to another level with their products."

Immersion, founded in 1990 by Rosenberg and two college chums, had its first taste of success in 1995, when it applied the principles of force-feedback to computer games. Known as iForce, the technology allows players to feel the action on the screen through their joysticks or steering wheels. The company has licensed the technology to leading makers of computer-aimed equipment, including CH Products Inc. of Vista, Calif., and Firestorm, Calif.-based Logitech Inc.

While Immersion continues to develop its gaming business, it has invested heavily in turning the FEEEL Mouse into a household name. So far, the reviews have been positive. At the annual Consumer Computer Trade Show in Las Vegas, Nev., in November, when it was demonstrated for the first time, Gates paid Rosenberg the ultimate compliment by dragging by his booth to test-drive the mouse. In fact, two years ago, Microsoft offered to buy Immersion's force-feedback technology, but the company declined and instead entered into a partnership with computer chip maker Intel Corp. of Santa Clara, Calif. Now, there are rumors that Microsoft is planning to introduce its own force-feedback mouse (the company recently introduced a force-feedback joystick, the SideWinder). But Rosenberg appears undaunted, saying his product has "mass-market" attraction. Currently, Microsoft's Windows 95 operating system and its Web browser, Internet Explorer, are the only mainstream software products that can utilize the FEEEL Mouse.

Immersion, however, is not alone in trying to rethink the mouse. Logitech also made a splash at Comdex with its TrackMan Marble FX. The device features a large ball with optical-sensing technology that makes for accurate manipulation of the cursor with ease or more agility. The mouse also has four buttons that can be programmed to perform basic functions—such as cut, paste, page-up or page down. TrackMan Marble FX will be available next month for \$129.

For consumers who want to alleviate or avoid repetitive stress injuries, Axis has taken the market by storm. It has designed the Axis Dynamic Mouse. The product, which resembles a joystick, can reduce the risk of carpal tunnel syndrome by eliminating the need for users to bend their wrists, according to research commissioned by the company. The Axis mouse, which began shipping in Europe last year, will be available in Canada by April for \$70 to \$100. At this rate, Bill Gates had better come up with a mouse breakthrough soon, or he may find himself stockpiling mice again.

ERIC JOHNSON

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## Diane Francis

### A sensational study no one is discussing

**A** recent report by economists Marcel Côté and Michel Demers documents, in frightening detail, exactly how Quebec separatists would destroy the living standards of all Canadians if they won the next referendum. The 26-page study, sadly, was ignored by most of the national media as well as by most politicians since its release in October.

Côté is a founder and senior partner of the Montreal economic strategy and marketing consultancy Group SECOR, and Demers is an associate professor of economics at Concordia University. The two were asked by a grassroots organization, the Quebec Committee for Canada, to analyze what would happen to the economy in the hours and days following a unilateral declaration of independence (UDI) by Quebec separatists.

The issue of what happens is important because former Quebec premier Jacques Parizeau admitted in his auto-biography last year that he planned to announce a UDI within days of a Yes victory. This contradicted referendum campaign promises that a UDI would not occur until talks were held with Ottawa for at least one year. But Parizeau wrote that plans were already set to wrest the province from the country, and that France was lined up to legitimize the breakaway province by recognizing it as a sovereign country.

The Côté-Demers report contains chilling conclusions. After such a UDI, it says, Canadians would be crippled by a gargantuan monetary and banking meltdown. Within hours, the country's automatic debt machine would start up to borrow Quebecers needed to take out cash. Mortgage and demand loans would be called in by lenders. The report conservatively estimates that \$20 billion of the total \$120 billion in deposits from individuals, RESPs and businesses would flee the province of Quebec and probably end up in another currency. The result would be "chaos." A \$30-billion movement of liquidity would strand the Quebec crisis as the largest crisis in modern banking history," the report concludes.

The fleeing of capital would put pressure on the Toronto-based Canadian banks, which own 30 per cent of the Quebec market for deposits, to inject \$8 billion to \$10 billion into their Quebec branch systems. But might hesitate to do so because of the political uncertainty. The Bank of Canada, whose assets total \$21 billion, would likely require international assistance greater than the recent \$40-billion rescue operation of Mexico and which could approach that of Korea.

The crisis would also be fuelled by employers' likely refusal to rent utilities or income taxes to other governments until the legal messy dispute was resolved. "A UDI would create two conflicting claims of legitimacy in Quebec," the authors say. "The Quebec gov-

ernment will demand that all taxes hereinafter paid in Ottawa be paid to Quebec. The Quebec government would in all likelihood not be able to obtain any net revenues."

The economists then ask the basic question: "How much of the \$30 billion presently collected by the federal government in Quebec could a separatist Quebec government collect?"

For the purposes of the study, the two made the conservative assumption that 30 per cent of federal income taxes and Employment Insurance contributions would be put into trust. They also assumed that 10 per cent of corporate income taxes payable and 20 per cent of GST owed would be put in trust. Quebec's largest employer is the provincial government with 425,000 workers, so the federal portion of income taxes deducted would stay in separate funds. (But Ottawa would surely withhold provincial income tax for its 134,000 workers in Quebec as well as transfer payments to individuals.) The total held in trust, according to this model, would be \$11.9 billion, enough to prevent the new breakaway regime from financing deficits, borrowing money or shoring up its collapsed banks.

Still, the capital flight poses the largest threat. "In the climate of uncertainty surrounding a possible UDI, many Quebecers will want to shelter their savings from political risk and the risk of a potential devaluation of a Quebec currency (if introduced)," they write. "The desire to shield assets from the turmoil will be even more accentuated for savings registered in RESPs. Their transferability out of Quebec could also be subject to a tax after the UDI as we caught precedent in it," as suggested by former provincial finance minister Jean Charest, capital controls are imposed."

Fearing such controls, a majority of households would likely transfer their RESPs, roughly 25 per cent of the \$20 billion total in Quebec, to another province. Another 15 per cent of this RESP pool would be transferred out by well-held insurance policies. Some 16 per cent more would be transferred by the elderly who vote 2 to 1 against secession. "Some severance pay funds may be claimed that a Yes vote on a referendum will be sufficient," the report says. "A clear conclusion that emerges from our study is that a Yes victory by a narrow margin is bound to lead to less legitimacy debate and an ensuing financial crisis of major proportions." Côté told me in an interview that the report was underwritten because "we have never seen a revolution in the middle of a complex modern economy before in history."

Despite such dire consequences, many a minute of debate in the House of Commons (transmitted as a result of this banker's study) When asked, the banking community refused to comment on the study's merits and other thinktanks have not picked up the ball. More's the pity.



Chen is regular on television and the host of *Las Vegas*

## A belief in magic

**B**eing called a world-class magician might not be most people's ambition, but renowned magician **Juliano Chen** is not most people. Last July, Vancouver-based Chen was crowned the world champion of magic at the World Congress of Magicians in Dresden, Germany. She is the first woman to take top honors in the 30-year history of the congress—a record that might have been broken by her brother, **Hans Chen**, who was chosen by government officials to train as a ballerina at the age of 11. Five years later, the athlete trained her to be a shot jumper. But after a fall damaged her left knee when she was in her early 20s, it was time for yet another career switch. This time, Chen was allowed to choose magic, and she focused on sleight of hand, also known as the magician's manipulation, the quickly become a national celebrity making law-law appearances these days. She has no training on local television shows.

Then, in 1988, Chen moved to Vancouver to study English. But once in Canada, she discovered that magic rose as popular as it did in China, and she could not make a living. Chen opened her own graphic design firm, but her magic skills in private. But she missed the spotlight. "Performing in front of an audience feels good," says Chen, now 28, "better than practicing alone in my car as a magician."

Her career then took yet another turn. In 1991, she got the chance to perform at a dinner held by local magicians. When her aunt at received a 15-minute standing ovation, Chen decided to return to magic full time, and she sold her design firm in 1992. The decision has finally paid off. Her sleight words and amazing card manipulation have made her popular around the world, particularly in Las Vegas and Europe. And once her work in Dresden, Chen has been in increasing demand in Hollywood, including an appearance in November on the popular NBC special *The World's Greatest Magic*. "I am very happy with my life right now," says Chen. "It has taken a lot of work to get here, but this is what I am. I just don't change. I am a magician."

## People

Edited by BARBARA WICKENS

### A tyro takes off

**C**ountry singer **LaAnn Rimes** and the pop trio **Hanson** had better look out—there is a hot new kid on the block, and he could make those teen idols look old. At age 16, pop singer **Aaron Carter** is already a star in Germany, where a record company—after he signed him up after seeing his warm-up act last March for **The Backstreet Boys** Carter's 18-year-old brother, **Nick**, is a member. Now, Aaron's first North American single, **Crash on You**, is the best of the MTV crowd. "We're getting all kinds of calls," says **Terry DiMatteo**, producer-director of the weekly video show **MTV's Hit List**. "They all just think he's adorable." The greaser from Tampa, Fla.—who travels with a bodyguard, a tutor and his mother, **Jane**—seems to be taking it all in stride. "I did this so I could see my brother all the time," he says, "and it's working out."



Carter, the buzz on MTV

### Sendak's scene



The designer operates

**M**ost parents tell their childrens something bad will happen if they don't go to bed, but the late **Maurice Sendak's** father told him a very different effect: "My father came from a small village outside Warsaw," explains Sendak, 70, "and he would tell stories about hardship. Sendak says, I was an immigrant as a child."

Sendak went on to write and/or illustrate more than 80 children's books, including *Where the Wild Things Are* and *Outside over There*. During the past 20 years, Sendak has turned his knack for jobster imagery to the opera, as a set and costume designer. This month, the Canadian Opera Company in Toronto is producing two of his productions—*Moshe and Grief* and *The Cunning Little Viper*. "Writing a book is a solitary thing, which can drive you around the bend," says Sendak, who lives in Connecticut. "Opera is a social event, and everyone is around the bend, so you are in comfortable company."





Harley: a *Andromeda* breakthrough

## Immortalizing cells

Scientists find a possible key to living longer

For more than two decades, Canadian biochemist Calvin Harley has been trying to unravel the mysteries of aging. As a researcher at McMaster University in Hamilton, he concentrated on minuscule strands of genetic material called telomeres, which shorten as cells divide, when they are just about worn away—after perhaps 50 to 100 cell divisions—most cells stop dividing. But some keep on proliferating: in 1994 Harley and colleagues at McMaster showed that most cancer cells contain an enzyme called telomerase that constantly replenishes telomeres, giving the cells a deadly immortality. The discovery opened up dazzling prospects: If telomerase could be put to work in ordinary cells, then some of the debilitating effects of aging could be overcome. In a watershed breakthrough, researchers at the California biotechnology firm Genex Corp.—where Harley is now chief scientific officer—and at the University of Texas Southwestern Medical Center in Dallas reported last week that they had activated telomerase in normal human cells grown in laboratory dishes, raising the possibility of new treatments for diseases ranging from arthritis and AIDS to immune system disorders and osteoporosis.

The discovery, reported in the journal *Science*, generated immediate speculation

about a "fountain of youth" that would enable humans to live longer—perhaps even forever. "This isn't going to make people immortal," countered Woodruff Wright, a Southwestern Medical Center molecular biologist who was a principal investigator in the study. "But I can imagine 30 or 35 years from now that we might be able to make a 30-year-old person live a human life span." Other scientists hailed the work as a major finding. "It's an important fundamental breakthrough in our understanding of cellular aging," said Les Hamblin, a molecular biologist at Toronto's Jacobs Research Institute.

The discovery held out the promise of new therapies that would involve taking cells from a patient's body and activating telomerase (the GENEX-based) in the lab to produce a population of healthy young cells, which would then be reinserted into the patient's body. Speaking from Harley's head office near San Francisco, Harley—who has supervised the joint research effort—and the finding "put us on the path to developing treatments for a whole range of age-related diseases. We're very excited."



Wright: breeding healthy young cells

Still, before telomerase-based therapies can ever be used in humans, scientists will have to be sure that cells with activated telomerase are not going to turn cancerous. Researchers at Genex and the University of Texas insisted that activating telomerase does not by itself do that. "From what we've observed, these immortalized cells don't behave like cancer cells," said Michel Gauthier, a molecular and cellular biologist from Montreal who is currently at the Southwestern Medical Center where he played a key role in activating telomerase in human cells. Some scientists speculated that there could be problems, since one of the functions of telomeres (TELohmeres) in normal cells appears to be the prevention of the uncontrolled cell proliferation that can cause cancer. To avoid any such risks, said Wright, scientists preparing cells for implantation would probably switch on telomerase long enough to produce a healthy lifespan for the cells, then turn it off again before reinserting the cells into a patient.

If all goes well, some telomerase-based therapies could be in use within five to 10 years. Harley said that one of the first possibilities would be the use of cell rejuvenating therapy in tissue grafts to treat muscular degeneration, a disease of the retina that progressively erodes the eyesight in about one-third of North Americans over the age of 70. Another obvious application, said Harley, would be an intriguing cancer patients whose blood and immune systems have been battered by high-dose chemotherapy. Using bone marrow transplants, doctors currently try to counter that by taking blood cells from patients, growing them in cultures and reimplanting them after chemotherapy. But the success rate among older patients is poor, because the cells that are removed and reinserted are already nearing the end of their lifespan. "If we can take older patients' bone marrow and rejuvenate the cells," says Harley, "we may be able to dramatically improve their chances of survival."

When Harley, 45, decided to give up a promising career in Canada to work in the United States, it was partly because of the secrecy in Canada of research funding—a situation that has worsened since he left. Officials of Ottawa's Medical Research Council said last week that government research funding had dwindled by 30.7 per cent during the past two years. "It's a pity," said Harley, "because Canada produces excellent scientists, but only limited research opportunities." Which is why breakthroughs like the telomerase finding often involve Canadians working beyond their own country's borders.

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# Racing the biological clock

Doctors re-examine the health risks of postponing motherhood

Dorothy Licher did not feel ready to have children and she was nearly 40. Further first-semester-year university, Licher and her husband, Rod, wanted to long hours to establish their careers and pay off their mortgage. "We wanted to be more settled, more financially stable before we had children," says Licher, who lives in a small community 50 km north of Toronto that she decided it was time to start a family. Licher learned about the risks of a late pregnancy and wondered if she had waited too long. "Once I saw the statistics, I became worried," she says. "You look at the charts and you say, 'Oh, at 40, the chances were as high as 1 in 40 of a genetic defect—that scares you.' Licher did suffer complications during her first pregnancy, but she gave birth to a healthy son, Raymond, in February 1993, and a daughter, Eleanor, three years later. "We're glad we waited," says Licher. "We can handle the baby and we can handle things better than when we were in our 20s."

Never before have so many women delayed parenthood until middle age. And never before have so many older women—seemingly more of grandmother age—become mothers. Last week, the British press reported that 60-year-old Elizabeth Birtle of Wales became pregnant without the use of fertility drugs and gave birth to a healthy boy, Joe, on Nov. 26, making her Britain's oldest mother. While such cases are still extremely rare, Statistics Canada says that in 1995 mothers over the age of 35 accounted for 42 per cent of live births, compared with fewer than five per cent in 1975. The trend fits in the face of conventional wisdom, and some current medical trends, which double 35 as the magic age limit for a first child. But an increasing number of women, facing a complex mix of

social and economic pressures, wonder if they can safely postpone pregnancy well into their 40s. And now, some experts are beginning to say that the reproductive risks need not be overstated in early life. The older women who had 13, 12 and 13 children, women had babies right up until menopause," says Dr. Rod Aramco, professor

at the University of Toronto. Still, there is no question that a woman's chances of giving birth to a baby with abnormal chromosomes increase with age. The risk of Down's syndrome—one of several possible congenital defects—rises dramatically from 1 in 1,000 at age 30, to 1 in 285 at age 35 and 1 in 90 at age 42. Women over 35 are generally offered an amniocentesis—a procedure that involves injecting a needle into the womb and removing fluid that can be tested for genetic abnormalities. Why 35? "In a younger woman, whose risk of having an abnormal baby is 1 in 1,000, it doesn't make much sense to have a procedure with a risk of miscarriage that is 1 in 200," explains Barrett.

But some women, like Deborah Walden—who became pregnant for the first time two years ago at the age of 41—refuse to have an amniocentesis, because they do not want to lose what may be their only chance to have a child. "We talked and talked about it," recalls Walden, who opted instead for a maternal blood screen, which is a blood test taken at 25 weeks of pregnancy that picks up about 60 per cent of Down's syndrome babies. The former Toronto computer worker had several anxious months of waiting after the genetic test indicated that her baby might have Down's syndrome. "It isn't definite," says Walden. "It only gives you the odds so we decided to live with it. It was a miracle to start, and we thought it could end with a miracle, too." In February, Walden gave birth to Melody, a normal and healthy baby girl. In the B.C. study, researchers found that mothers over the age of 35 suffer an increased incidence of hemorrhage, diabetes, multiple births, prolonged labor and hypertension. They also tend to have more

premature births and low-weight infants. "The most disturbing issue to me is the high risk of cesarean section," says Ying MacNab, a statistician with the British Columbia Vital Statistics Agency and one of the authors of the paper. "It is quite an astounding ratio—1 in three women over age 35."

MacNab reports that a follow-up study found "no good reason" for the high rate. "We see a gradual decrease in the late '90s," she adds. "So we are hoping the rate will go down." Other experts are also at a loss. "Where there is no difference in complications," says Barrett, "but you get a higher Caesarian rate, something is too amiss—probably the doctor and the patient." Nor should older mothers necessarily suffer other complications, she says—if they are healthy. The problem, doctors say, is that as women age they tend to develop high blood pressure, diabetes and other medical conditions that could lead to a difficult pregnancy. "I feel better about a healthy 45-year-old patient who is pregnant, than a 25-year-old with diabetes who is pregnant," says Aramco.

Most doctors continue to monitor older patients very carefully. "There is anxiety and uncertainty when you get to five years of age," says Barrett. "Most would be sent to specialists who check blood pressure and watch the baby's growth." And researchers continue to study the effects of parents' age on their offspring. "It seems babies born to older couples have a higher incidence of Alzheimer's," says Aramco, pointing to new lines of research. "And children of an older father seem to have some increased risk of inherited diseases." More positively, researchers found evidence suggesting that women who bear children after the age of 40 tend to live longer.

So what's a woman to do if she wants to postpone her baby-making? "Don't eat a special diet, don't smoke and don't drink too much," advises Barrett. "If you keep your self healthy and limit medical risk, then I don't believe your pregnancy will be a much more serious risk than a younger mother." But he also cautions that fertility decreases with age—most women may find that it takes longer to become pregnant. A few may not be able to conceive; "I have seen women who decided to delay having a family because of a career and then as a full pregnant," he adds. "That's a tragedy." Confident couples might keep track of their fertility with sperm counts for potential fathers, and hormone tests to ensure that a woman is ovulating normally. But they may want to monitor their energy levels, too. "Kids keep you active," advises Licher. "But you start to find your age and can't take those naps."

SHARON DOYLE DREHMER



Walden with Melody: 'a miracle to start, and we thought it could end with a miracle'

at obstetrics at the University of Toronto.

One recent B.C. study shows that, although older mothers experience a higher incidence of cesarean sections, miscarriages and other complications, many of the problems are not caused by age. "The risk factor of age alone has been overstated," says Dr. Jan Barrett, a specialist in maternal fetal medicine at Toronto's Women's College Hospital. "Much more important is the state of a woman's health, family and genetic history." It is a fact he adds, that older women are more likely to have medical conditions that could lead to complications. But a healthy older woman is at less risk obstetrically than a younger

works of pregnancy that picks up about 60 per cent of Down's syndrome babies. The former Toronto computer worker had several anxious months of waiting after the genetic test indicated that her baby might have Down's syndrome. "It isn't definite," says Walden. "It only gives you the odds so we decided to live with it. It was a miracle to start, and we thought it could end with a miracle, too." In February, Walden gave birth to Melody, a normal and healthy baby girl.

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## Sinking Leonardo

What does Leonardo DiCaprio, star of the blockbuster film *Titanic*, have to do with education? Not much, according to Michelle Langill of Wellsville. She's a mom of 4,000 located 144 km northeast of Regina. Over the Christmas holidays, she pulled her son David, 14, out of his Grade 7 class at St. Henry's School and registered him in Michelle Comprehensive School. The reason: a teacher's decision to decorate a classroom wall with about two dozen pictures of the actor Langill had complained to principal Trent Senger and the local school board, but says her objections were not taken seriously. "I have nothing against this young gentleman," says Langill. "But what is the education value of this? I wonder if a male teacher could put up pictures of a female star without people saying, 'What the heck is going on here?'"

Senger maintains that teacher Kathy Lipowicz put up two or three DiCaprio pictures at the start of the year because her students were going to be reading a story on the *Titanic* disaster. Students began bring up in their own pictures, and she felt compelled to post them. "The pictures of DiCaprio were used as a kind of icebreaker by the teacher with the kids," says Senger, adding that they were removed over the holidays. It seems that some teaching tools are easier to sink than the *Titanic*.

*Tracey Str DiCaprio, questioning her place in the classroom*

## ESL students get high marks in B.C.

Data based deep in a B.C. education ministry annual report now add fuel to the ongoing debate over the merits of public school English as a Second Language programs—commonly known as ESL. The report, released last month, compared the performance of current and former ESL students with their native English-speaking classmates during the 1995-1996 school year. The findings said ESL students lost their years during the year or years they spent in language training classes—but leap forward later. Concludes the report: "Students who had enrolled in ESL within the past six years outperformed non-ESL students on most measures." Among other things, ESL grads were more likely to complete Grade 12 (75 per cent versus 67 per cent) and to qualify for university (66 per

cent versus 49 per cent).

The findings are particularly relevant in British Columbia, where enrollment in ESL has more than quadrupled since 1986 and more than one-third of students in some southern districts speak a language other than English at home. Still, the report falls short of an unequivocal endorsement of ESL classes. It indicates that the less time spent at school, the more students over-achieve, even when ESL instruction. For example, students from Chinese and Portuguese-speaking households were more likely to graduate from high school, irrespective of their attendance at ESL, than children from English or Hindi-speaking families. The researchers did reach one unsatisfactory conclusion, however: ESL had no impact on academic success even for university (66 per

cent versus 49 per cent).

## Shutting down computers in class

For first-year students at Acadia University in Wolfville, N.S., the Acadia Advantage program is a huge attraction. The innovative and award-winning initiative provides laptop computers to each incoming student for classroom and home use. Business students, for example, juggle up the latest stock prices of companies they are studying. English students access CD-ROMs on which available data from their work. But stalled contact talks between Acadia's administration and faculty have temporarily halted classroom use of laptops. "We're following the old contract," says sociology professor James Scoumar, president of the faculty association. "And it says nothing about computers in the classroom."

That contract, in fact, dates back to 1989. In 1992, the Nova Scotia government froze all university collective agreements for five years, and cut salaries three per cent. Anxious to gain lost ground, the faculty wants a five per cent pay hike annually for three years, while the administration has offered the equivalent of 13 per cent. Angered by the withdrawal of computers in the classroom, several hundred students occupied part of the main administration building Jan. 12, and they face even more disruption if the faculty rejects the current offer, the next move may be to set a strike date.

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## Loosening the purse strings

With a budget surplus projected to hit \$2 billion in the fiscal year ending March 31, Alberta Treasurer Stockwell Day's announcement was hardly a surprise. Last week, he declared that his government will spend an extra \$100 million on repairs to the province's schools and \$20 million on classroom technology. Meanwhile, the Manitoba government unexpectedly announced that it is putting more money into primary and secondary education for the first time since 1992 due to robust economic growth. Education Minister Linda McIntosh revealed last week that the government will increase spending by \$16.7 million, or 2.2 per cent. The money is being allocated to specific projects such as new computer technology and newly needed repairs to schools. But many teachers said that the new funding will not meet the needs that have accumulated during the years of freezes and cutbacks. "Are we supposed to say 'Hokey,' because they're giving us two per cent?" asked Dolores Hillard, principal at Lakeside School in Winnipeg. "It's a laugh."

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## Books

# Country of kindness

Canada offered sanctuary to a child of tumult

### SMALL MERCIES

By Ernest Hillen  
(Viking, 206 pages, \$27.95)

In 1946, when 12-year-old Ernest Hillen first arrived in Toronto from Indonesia, a group of his new schoolmates surrounded the Dutch-speaking immigrant at recess. Hillen was sure the boys were about to fight him. "New boys always

had to fight," recalls Hillen in his graceful and touching new memoir, *Small Mercies*. "All over the world, that's how it was." Hillen, today a respected Toronto magazine editor and writer, must certainly have seemed odd enough to arouse the expected hostility. Like all Dutch colonial schoolchildren, he wore short pants. He also spoke little English. But much to his amazement, the other boys were nice with kindness. They taught him to play baseball, even allowing him extra turns at bat and cheering when he got a hit.

*Small Mercies* is full of such surprises. Fresh, exquisitely detailed and authorized with tenderness, the book is a fitting sequel to *The Way of a Boy*, Hillen's much-

praised 1989 reminiscence of how he and his family survived more than three years in Japanese prisoner-of-war camps during the Second World War. *Small Mercies* opens as Erie, his older brother, Jerry, and their Canadian-born mother, Anna, sail from Indonesia after their release. Their Dutch-born father, John Hillen, a former estate manager, has remained behind to get a new job and re-establish their fortunes. Anna is temporarily taking the boys to her parents' home in Toronto. As it turns out, they remain in Canada for two years—the period covered by the book. During that time, Ernest not only suffers the usual adolescent growing pains, but he

also develops a deep attachment to what Hillen calls the greyness of Canada—a compelling attractiveness in its people and landscapes that would draw him back in his late teens.

Necessarily, *Small Mercies* relies less on extreme events than *The Way of a Boy*, smoking filter cigarettes beside Lake Ontario can hardly compare with trying to outwit Japanese guards. But if the sequel lacks

the high drama of the earlier book, it is even better at catching the contradictory currents in a boy's soul. In the camps, Hillen's emotions were somewhat deadened by the daily trauma, but in Toronto he was able to reclaim the process of acquisition of ordinary life. This makes the occasional transition of violence in *Small Mercies* more gripping, in its way, than the brutality of the POW camp. When Hillen's grandfather erupts in a rage and repeatedly locks him for some minor misdeed, the event is deeply shocking—and a reminder that Japanese prison guards knew no sympathy or cruelty.

There is much to praise in *Small Mercies*, from the way Hillen has interwoven inter-

ludes of sadness and joy to his creation of memorable characters, such as Ernest's kind-hearted cigarette-smoking grandfather. And he skillfully sustains the book's underlying pathos. As he falls in love with Canada and his new life, Ernest realizes he does not want to go back to Indonesia—but he has no choice. The book's final scene shows him hiding his misery as his delighted father meets his returning brother. It is a moving, emotionally ambiguous character in a fine book—and a nice book, if Hillen's readers should be so lucky, to yet another testament.

JOHN HODGSON



Hillen in 1946, underlying pathos

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## Television

### Raising the dead

An ex-Mountie spins tales of unsolved murders

A battered station wagon inches across a darkened expanse of empty waterfront. Hands pull a shapeless form in a plastic garbage bag from the car to the edge of a pier. It falls to the water with a resonant splash.

When police divers recover the package hours later, it turns out to contain the body of a 30-year-old boy, eyes and mouth covered by silver squares of duct tape. An autopsy reveals that the boy was raped before he died.

So far, so gruesome. But the details of the crime also match those of a 20-year-old murder that remains unsolved. The possible sets 30-year-old Sgt. Al McCormick (Julie Stewart) off on the trail of a killer in the first episode of *Cold Squad*, a new made-in-Vancouver cop show that premieres on Jan. 25 on Bolo and most CTV affiliates across the country.

It is a risky entry in a field where gritty and often violent American-made dramas like *Haweside* and *NYPD Blue* have long set the standard. But producers Matt MacLeod and the father-daughter team of Philip and Julia Kestley, who made the *Lie to Me* series with the backing of Toronto's Atlantic Films, know plenty about risk, as well as about successful television. MacLeod, 50, spent 20 years investigating major crimes for the RCMP. Philip Kestley, 38, was executive producer of the long-running *Blue* series for CBC. Their collaboration on *Cold Squad* gives its hopes to uncovering missing truths, psychologically complex stories and a determined sense of place. "NYPD Blue is very much New York," notes Julia Kestley, 37. "Show me a very specific place in Baltimore. We wanted to see Vancouver."

But this is hardly the picture-perfect Vancouver of tour brochures. As recognizable as the city will be to residents—in writing contrast to another made-in-Vancouver series, *The X-Files*, which strains to turn its boisterous into *Anywhere, U.S.A.*—*Cold Squad* is as hard as the city's underbelly. And with the West Coast setting may be unattractive, notes MacLeod. "They are murder stories, and murder knows no boundaries."

Sgt. McCormick heads a unit dedicated to reopening troubled murder cases or, in police parlance, "cold files." Aided by behav-

ioral profiler Jill Stone (Joy Tanner) and burnt-out former street cop Tony Loquero (Michael Hogen), McCormick brings killers to justice using a combination of advances in forensic biology (DNA sequencing in the opening episode) and the change in perspective that time brings to both witnesses and participants in crime.

Realism shines through in the opening episode, which MacLeod wrote. The search for a pedophile serial killer takes an un-



Paul Bernick, Hogen, Tanner, Stewart must ambiguity

perished twist, when the leading suspect turns out to be a brotherhood and not a police officer. McCormick's most recent crime. Tightly written with strong, often witty dialogue, the stories are saturated with the complexities of real life. As McCormick leads off the professional problems of her male colleagues, she struggles with her own emotional response to homosexual rape and child murder. "She's not a bitch," says Stewart of her character, but "she has intimacy problems." And for both McCormick and her colleagues, as Julia Kestley notes, "It doesn't always feel good to be right."

Such insights reflect MacLeod's experience in fighting real crime. As Mountie Ken Ross (the adopted pseudonym when he began his writing career), he worked in drug operations, long a close friend to a

mob murder in Thailand in 1988. His stance on crime is unapologetic. But nearly three decades of police work clearly did not desensitize MacLeod to moral ambiguity—or the humanity of the people who commit crime. "If you want to solve a murder, you have to understand why a person walked into a room and did what he did," the former Mountie says, adding, "The next case extremely interesting bad guys." In *Cold Squad*, the bad guys are not always the guilty party—and the apparent victims are not always innocent.

The chain of events that brought MacLeod together with the Kestleys began in 1990. Working undercover in Los Angeles, MacLeod met a retired police officer who had turned to screenwriting. Intrigued, he returned home to Vancouver and began to read books about the craft of writing. In 1993, collaborating with producer Hart Hanson, MacLeod wrote *Trust No One*, a TV movie based loosely on his own life that Julia Kest-

ley produced, aired in 1994. The following year, after working on several odd home-vids, he conceived the idea for *Cold Squad*. MacLeod finally retired from the RCMP on July 1, 1997—the day that principal photography began on the series.

*Cold Squad* filmed over four months last summer on location and in a rented former roller-skating rink in East Vancouver, has seven episodes. The initial episodes betray the pressures of a tight production schedule as a wealth of editing sequences that might be smoother. And as the weary veterans Loquero, Hogen and Stewart reveal a more creditably raw edge. Still, with its perspective authors' fully and a sensitive portrayal of the mundane shades of grey that lead into the darkness of the human soul, *Cold Squad* is just the thing to boost up a winter's night on television.

CHRIS WOOD

Maclean's TV



# Bullish on Broadway

Garth Timbimby needs to be cautioned: After years of enduring a chippy relationship with the Canadian media, he is not eager to be interviewed by a journalist who has occasionally endeavored to cast him in the roost of national light. "No publicity is better than more aggression," says Demoskiak, explaining that he has had his fill of Canadian magazine articles describing him with words like "barbaric." And when the producer of such recent musicals as *Show Boat* and *Ragtime* finally does agree to take Timbimby in New York City, he leaps down some gravelly stairs to the press, giving up his seat to a smiling, balding, bushy-haired giant in the bow of a Complex Ofion. "My life," he says, "has ended. It's gone on."

It certainly is. A decade after being ousted from his Croydon Odéon empire, Dimbleby's chairman and CEO of Toronto-based Erwin Inc., has risen phoenixlike to become the toast of Broadway. In 1993, his *Kiss of the Spider Woman* swept the Tony Awards. Non-office revenues from his acclaimed revival at *Shoeshoe* are expected to reach \$860 million by the year 2000. And, after triumphant runs in Toronto and Los Angeles, Jan. 30's New York production of Dimbleby's *Angie* opened in an optimal new theatre that he has built on Broadway. Erected from the salvaged ruins of two faded playhouses on 42nd Street, the Lyric and Jacinto theatres, his 1,817-seat Ford Centre is the new epicentre

low) in the current revitalization of Manhattan's theatre district.

In the U.S. media, meanwhile, this 46-year-old Canadian is being hailed as a savior of the American musical—for recruiting local actors to show with social themes that restore a lost grandeur to the musical, for presenting them in plush surroundings that recall Broadway's golden age, and for changing the way Broadway does business. Sauerbrey, 46, who has been in the industry since 1976, claims he pays top dollar to attract creative talent. He has financed the production of 15 shows in a three-venue before leaving Broadway. Tapping public and private funds, he has built theatres in New York, Toronto and Vancouver, and is currently restoring Chicago's historic Oriental Theatre. On top of that, he

Garth is on a roll. And as he flicked questions last week from a hired scribe desk in his office at the Ford Center, there was nothing showbo about him, except for a voice rendered gruffier than usual by a heavy cold. "It's the damn weather changes in this city," he says, "and the fact that I haven't slept for three months probably has something to do with it." Toronto-born Dravitsky, who commutes between his home town and a condo in New York, maintains a grueling routine of 16-hour days. The week before, *Rolling Stone*



The producer (left) and his historical astronaut: selling America to the Americans

Broadway opening—and the five crucial New York reviews—the pressure was starting to get to him. “Opening nights are something that I loathe,” he says. “It’s not a hair network. It’s exactly the opposite. I find the whole experience incredibly annoying.”

But after years in Toronto and Los Angeles, Regnier's success seems a safe bet. The show—a spectacle about American Dreamers at the tumultuous turn of the century—sings along at a stonemasonry workbench, and syncopated, jaunty. The songs, by Lynn Abrees and Stephen Phillips, swing from cool ragtime to scorching gospel with acrobatic ease. And, with the new theatre, *Disability* is rewriting not only the spirit of old Broadway, but also the architecture. Although the Lyric and the Apollo were demolished to make way for the Ford Centre, some key features were incorporated into the new building, including the Lyric's lobbies, dress boxes and proscenium arch.

On the marquee that hangs outside Drabinsky's office window—and in all manner of merchandise in the gift shop downstairs—the *Baywatch* logo depicts a star-spangled banner coiled around the outstarm of the Statue of Liberty. Drabinsky, it seems, is engaged in the proverbial sale of refrigerators to Eskimos: a Canadian selling America to Americans.

But his affection for the product seems genuine. "I love the drink element of American history," he says. "I love that it's born out of passion. The entrepreneurs and the pioneers—they're important for the world, not just for America. There's so in your face." Adds Drabinsky: "So much as I am so proud of being a Canuck, and, of course, everything I can to promote Canada around the world, I feel very much a citizen of this country as well. I'm comfortable here. I continue to be inspired by stories emanating from the history of this country—but I'll never be hooked only on the conversation to the

Being Canadian, in fact, may have given Urthausky a certain edge in distilling America's essence. "It's given me a perspective," he says. "It's a lot easier to stand back and look at the richness and the ugliness of America, the powers and ills of America, with a bit of distance."

He certainly had the wherewithal to notice an obvious opportunity that had eluded everyone for two decades. Rereading E. L. Doctorow's unjustly ignored bestseller, *Ragtime*, Drabinsky realized that the 1975 novel—a crazy quilt of historical fantasy—was a musical waiting to happen. It had not occurred to Doctorow. "I'd never dreamed

about this material in these ways," says the author, who disliked Miles Forman's 1981 movie adaptation, *Doctorow*, who collaborated on the stage version, adds that the show is "more or less like an extract. And what they've landed on is the American idiosyncrasy implicit in the text."

The movie weaves the class patterns of turn-of-the-century America into a tale of emancipation in three-part harmony. The social panorama is vividly unfolded in the opening number, the white gentility with their lace parasols, the northern-day underlings of African-Americans, and the grey ink-blot of urban immigrants. In the course of the play, a heroic individual emerges from each group. Mother (Marianne Maazel), a compassionate WASP, pays a ransom of autonomy from her Victorian husband, Co. House, a black piano man, comes at last to realize the value of his art, and Ted (Teddy Brown) escapes after a life of trial and tribulation to his beloved Mother. And Ted's brother Joe (Michael Ford) and Tish (Peter Friedman), an impoverished Jew who has fled Latvia with his daughter, grow from hawking silkenette portraits on the street to making money (and peace) on the bazaar.

[illegible]

Between its songs and setting and its pre-millennial messaging, it is also a tale of modern times that acutely broadcasts the 20th century. Broadway conceived of *Boyz n the City* as a kind of sequel to *Show Boat* (which at the time of its 1950 debut, was the first Broadway musical to take on its social issues). The early 20th century was "a fascinating period in American history," says the producers, who is now creating *Passade: The third arm of what I call the Trilogy of America*. *Passade* is an original musical based on the story of Les Franks, a New York Jew wrongly convicted of a 1913 race and murder in racist Atlanta. Broadway veterans Hal Prince will direct, Alvin Ury (*Shining Man*) has written the book, and Debrahly says Canadian actor Brian Curran (*King of the Spider Women*) will play the lead.

Levent is also developing four other new musicals: *The Seven Swans* of Sweden, based on the 1957 movie about the vicious power of gossip; *collaborative*, *Rob Ross: A Life in Song and Dance*, about the life of the legendary choreographer; a revival of the 1940 Broadway classic *Puttin' on the Ritz*; and *The Sevens*, based on the Dr. Seuss children's books. Meanwhile, Levent's Toronto production of *Phantom of the Opera* has entered its sixth year and—along with the Canadian touring version—it has grossed \$600 million. Levent itself, the only publicly traded company of its kind in North America, expects \$425 million in revenues this year.

But Denborsky is clearly out to make more than a financial statement. Ideas matter to him, the bigger the better. And he throws on

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## THEATRE

being able to collaborate intimately with artists. "He was certainly more involved in the creative process than you'd expect a producer to be," recalls Doornik "but he created an atmosphere that made me feel welcome."

Doornik, who started out producing movies (*The Silent Partner*, *The Changeling*) in the 1970s, says his stage collaborators value his expertise. "I think they respect my eye, and my analysis of performance. It's an eye that's been trained by sitting in a dark room watching 300 movies a year, sitting in the editing room studying the nuances of underexposure." He stresses the phrase as if clapping it in stone.

Doornik, of course, is also quite literally carving a legacy in stone, by building and restoring theatrical monuments. While preserving certain features from the Lyric and Apollo, New York's Ford Center also up-grades just with a grand lobby, with staircases carving around a floor that has an exquisite mosaic at its centre—the classical motifs of comedy and tragedy rendered with 172,800 pieces of hand-cut marble from all over the world. Richard Blander, the theatre's architect, says Doornik was "incredibly involved in the details—but spared the very best of everything." Then, strutting Disney's renovated New Amsterdam Theatre across the street, he adds that Broadway "has been managed by three old family corporations, and these two newcomers bring in two new theatres. It changes the culture of what New York theatre is all about."

Disney is Broadway's biggest trust, and the yellow marquee for *The Lion King* fills the view from his office window. "But I don't believe that we're competing," he says. "I think the greatest thing in the world is that when 1,800 people walk into that theatre every night, if they turn their backs they see the marquee of *Boyz n the City*, and vice versa. These two shows will kill each other for an incredibly long time. *Boyz n the City* and *Mella*, *Gaily* were across the street from each other for years and years." Then he adds, "The south part of Broadway is now anchored by the two most exciting theatres in the city. And you need the critical mass of 20 or 30 shows pumping away to keep bringing the hordes of people who come to the city every year for Broadway. That's the miracle of what Broadway is all about."

Writing a *New Yorker* profile of Doornik last year, John Lahr astutely observed: "What he wants is not to make history with shows of wealth, but to make history with shows of history." Back in the days when Doornik promoted classical grandeur by gracing Coplex trailers with Greek columns and naming popcorn with real butter, his claims of grandeur may have seemed exaggerated. Now, with Gersh's music on Grand Street, he has built a world to match the scale of his ambition. □

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# Allan Fotheringham

## Why sex-free Canada gets no respect

Canada's problems, as with Rodney Dangerfield, is that it just don't get no respect. It is not, as imagined, because with a mere 30 million bodies we don't count on the world population meter. It is not that we have never had a civil war, or that Canadians—the surveys tell us—talk more on the telephone than any citizens on earth.

Nor are the reasons why we are so impoverished on the global scale. Ottawa has been pleased by the visit of British Foreign Secretary Robin Cook, who illustrates the high standards that other countries can uphold when it comes to juicy stories in bed. When it comes to clear Mr. Cook is the early leader in 1998.

Mr. Sloan, in one fell swoop, has dashed the previous hopes of Tony Blair's "New Labour" with all sorts of barely veiled, welcome change from those dreadful Tories who were always leaping into the mud with other ministers' wives. Cooker has done it all.

The foreign secretary is considered the intellectual superior to those two other Scandinavian boys, Blair and Chancellor of the Exchequer Gordon Brown. He is like a prince, because he is what is called faculty challenged. He has acknowledged he has "all the sexual ails of a garden gnome."

He apparently, however, has other attributes. Last Aug. 1, he was in the VP lounge at Heathrow with his wife—a highly respected doctor who made more money than he did before he became a cabinet minister—about to fly off for a three-week holiday in the U.S. His cell phone rang. It was Blair's office, warning him that a tabloid the next day was to break the story of his affair with his secretary, one Gaynor Hogan. The message from the PM: it's either the wife or the mistress.

Cook, the architect of Cool Britain's foreign policy, put down the phone and informed his 29-year-old mistress: "I'm over. Now, that's cool." His 29-year-old elder son went to Heathrow to wave his parents off—only to be told they were gay.

How can this cold country compete with soul? For that? Especially when the most powerful man on the world, running the most pow-



erful nation on earth, is facing a May court case where a girl with big hair is going to claim that she accidentally got a head to his juggling? The competition is not far.

We haven't had a good gaggle since Gerda Nansen, the good-time Munich girl, rocked the Commons with her affair with the Tories' Pierre Bovey, who had lost a leg in our First World War. The RCMP, while investigating, admitted him only when their listening device failed and the signature thump was his wooden leg being dropped on the bedroom floor.

The baritone George Fries, John Diefenbaker's most handsome minister, allowed during the subsequent hearings that he indeed had hunched with Gerda, but nothing more. The Ottawa press gallery, under the leadership of president Charles Lynch, for its annual black-tie dinner had a mural of naked Ministers painted on the entire wall of Parliament's Ridway Committee Room.

Lynch escorted his guest Fries into the room. The entire gathering, excited, froze. Fries, elegant as ever, gazed at it for a few moments and announced: "I think they've got the eyes wrong."

Thus, admittedly, is not up to the Kennedys, wherein Teddy, as someone said, is "the only minister who goes to spring break in Florida." We know all about Chagnon and Michael Kennedy, who lost an argument with a tree in Aspen, with a destroyed his brother's bed for the governorship of Massachusetts by the revelation that he, Mike, had conducted a long affair with the feisty babysitter starting when she was 14.

Canada has a tough time matching this. At François Mitterrand's funeral, his wife, his daughter and his mistress stood side by side. All we have is a Reform MP from the Okanagan Valley who shouts about "goticks" and wants to go out in the alley to write things. It doesn't really seem.

Christine Keeler and Mandy Rice-Davies brought down the Harold Wilson government when our minister John Pritchard led to the Commons that he did not know Christine in the biblical sense. When Margaret Trudeau ran into with the Rolling Stones, a closet destroyer her husband's government.

Indeed, in Jan 70 he befriended a child by a woman young enough to be his granddaughter and gave him spaghetti, happily with her, her happy newspaper columnist husband and the kid. Very Canadian. No more no less.

In Thailand a woman is a Leona Bobbitt, cuts off her husband's penis, then it is a billion dollars and sees it fly off to children. In the United States, journalist Seymour Mervin, who offers proof that John Kennedy daily swam in the White House pool with naked ladies called Paddle and Paddle, is pilfered by JFK fans.

In Canada, a publisher still pleads with a divorced wife of one ex-president to spill the goods. We have to put on the ball. We want any respect.



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